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DESTINATION KOREA

Opening Markets for U.S. Horticultural Products

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Marketing News

Taiwan Team Visits U.S. Rendering Industry

The **National Renderers Association (NRA)** recently sponsored a team visit by officials of Taiwan's Bureau of Standards to rendering industry sites in five U.S. states, as well as the Food and Drug Administration and NRA headquarters. Taiwan is the largest buyer of U.S. rendered protein meals in the world. U.S. exports during fiscal 1985 were 66,786 metric tons.

This visit was intended to improve Taiwan's decisionmakers' understanding of recent technical developments in production, handling and the use of anti-oxidation techniques in the manufacture of protein meals. Taiwan has since solicited the U.S. rendering industry to help rewrite Taiwan's import specifications, which may facilitate U.S. sales.

California Pistachio Promotion In Singapore

The **California Pistachio Commission,** together with seven supermarket chains and three processors, recently sponsored a two-month promotion of California pistachios in Singapore. Advertisements featuring pictures of pistachios, price specials and the slogan, "You Can't Say No to a Pistachio From California," were placed in the Singapore paper, the *Straits Times,* during this period.

In addition, promotional activities took place in 35 individual stores owned by the sponsoring supermarket chains. Each supermarket supplied a large area for display and accepted lower profit margins on pistachios during the promotion period. The sponsoring pistachio processors supplied the stores with pistachios for sampling. Sales of pistachios during the campaign amounted to approximately $80,000. Encouraged by this, the local suppliers have all placed orders for California pistachios.

Japanese Consumers Learn From MEF Trade Booth

The **U.S. Meat Export Federation's (MEF)** Tokyo office sponsored a trade booth featuring the National Live Stock and Meat Board's (NLMB) Meat Nutri-Facts program at last fall's Yokohama Meat Pia Fair in Japan. (Nutri-Facts provide the nutritional content of various types of meat.) The Federation distributed Nutri-Facts beef and pork brochures that had been translated into Japanese. Large, Japanese-language Nutri-Facts wall posters were displayed, and a Nutri-Facts video was played. In addition, consumers tasted samples of U.S. beef and processed pork products.

More than 135,000 visitors attended the three-day fair, which promoted imported and domestic meat products in Japan. Following the fair, a major Japanese trade publication ran an article on the MEF and its distribution of Nutri-Facts information. As a result of the enthusiastic response, the Federation plans to use Nutri-Facts information in future consumer seminars and other promotions.

International Marketing Handbook Available From SUSTA

The **Southern United States Trade Association (SUSTA)** is now selling the second edition of the SUSTA International Marketing Handbook. The handbook furnishes the novice as well as the seasoned exporter with valuable suggestions, contacts and information concerning the international sale of food and agricultural products.

To obtain the new, updated version of the International Marketing Handbook, write: SUSTA, ITM Bldg., Suite 338, P.O. Box 228, New Orleans, LA 70103. The cost including postage is $9.00 payable to SUSTA by check or money order.

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Marketing News 2

Liberalization Opens Doors in Korea

By Elizabeth Berry and K. H. Ahn

Long a major importer of bulk commodities, Korea is now moving gradually to permit imports of a number of horticultural products which face no direct local competition. Almonds, raisins, lemons, grapefruit, prunes and cherries are among the commodities that seem to have the brightest future.

The rate of growth in imports of these commodities will depend on the effectiveness of producers and exporters to promote their goods among Korean consumers and the food trade. Of course, success also will depend on the willingness of the Korean government to allow trade to proceed, unimpeded by new non-tariff barriers.

Duties on all imported food products remain very high (30-50 percent) and will tend to restrain market penetration of processed foods which face well-established competition from domestic manufacturers.

The following profiles will give growers and exporters an introductory look at marketing a number of commodities with good sales potential in Korea.

Exporters seeking names of possible importers of food products discussed in this article, or detailed information about the Korean market potential for other food or beverage items, are encouraged to telex K25823 SOLATO or write to the U.S. Agricultural Trade Office, APO San Francisco, CA 96301.

A strong commitment by exporters is essential to establishing trade in this market—Koreans are not interested in dealing with exporters who want to make a quick killing and get out of the market. (For an in-depth look at doing business in Korea, see *Foreign Agriculture,* August 1985.)

Raisins

Raisin imports have increased more than 600 percent in volume since liberalization on July 1, 1981. Although

the United States is still the predominant supplier, Turkey, Pakistan and Greece have taken considerable chunks of the market. Mexico also has begun offering stiff competition to California raisin exports.

Market structure: Raisins are imported by about six dealers who, in turn, sell the raisins to wholesalers, department stores and the Bakery Manufacturers Association. Wholesalers sell raisins to retailers or individual bakeries.

Trade barriers: Raisins are subject to a 50-percent tariff. Phytosanitary certification is not required.

Developing the market: The California Raisin Advisory Board conducts market development activities in Seoul through the offices of the U.S. Wheat Associates. Most activities are oriented toward institutional customers such as bakeries because raisins can be promoted along with wheat flour.

There is considerable room for developing the market for raisins as a nutritious snack food. Currently sold in 1-pound boxes, raisins packaged in smaller units (100-200 grams per package) would probably be more convenient and affordable for the average customer, thus opening the door on Korea's growing snack food market.

A well-coordinated advertising campaign, including media coverage, is needed to boost consumer awareness of raisins as a healthy snack food and to distinguish California raisins from those of non-U.S. origin.

Demand for raisins may also be stimulated through the school lunch program which the Korean government has just begun to develop.

Prunes

Following liberalization, Korea imported about $30,000 worth of prunes in 1984. However, difficulty in merchandising these early imports resulted in a decline in imports to only $1,000 for the first half of 1985.

Market structure: Prunes have been imported by three food dealers, although only one is currently active. Dealers move the prunes through channels which as yet are not well defined because the volume traded is still small.

As the trade grows, the marketing structure for prunes may develop in a pattern similar to the raisin market.

Trade barriers: A 50-percent tariff is imposed on prunes, with no reduction planned over the next five years. No phytosanitary certification is required.

Developing the market: The first step in creating consumer awareness is to establish a Korean name for prunes—now they are known as "dates" or "dried plums" and a variety of other misnomers.

An advertising campaign to develop this market could include in-store promotions, cooking demonstrations and advertisements in women's magazines and on television.

A network of importers and distributors should be positioned to fulfill consumer demand generated by well-executed promotion.

Prunes have been promoted successfully in Japan as concentrates and ingredients in nectars and medicines. Some elements of the Japanese market promotion campaign may be applicable to Korea.

The health and nutritional properties of prunes could be the key to this market. As with raisins, packaging in smaller units could help tap into the snack food market.

Lemons

Prior to liberalization in 1984, lemons could be brought to Korea only with the approval of the Ministry of Agriculture and Fisheries. This limited consumption to the hotel trade.

Following liberalization, the volume of lemon trade for the first half of 1985 exceeded the total for 1984. Most of the imports go to "up-market" restaurants and high-income households, as the 50-percent tariff level puts the retail price out of range for many Koreans.

Marketing structure: Three traders import lemons. After clearing customs, imported lemons are taken to a low-temperature warehouse in the Seoul Agricultural Wholesale Market, which supplies about 45 percent of all fresh fruits and vegetables in the Seoul area. At this market, the imported products are sold to wholesalers, department stores and supermarkets.

Trade barriers: Each shipment of lemons has been subject to special quarantine treatment since November 1985, due to concern about possible infestation by Mediterranean and Oriental fruit flies.

The Korean Plant Protection Office apparently is requiring that all citrus fruit of U.S. origin be subject to cold treatment (0 degrees plus or minus 0.5 degrees centrigrade for 14 days)—a procedure which in some cases may hurt quality. The U.S. Agricultural Affairs Office in Seoul is working with USDA's Animal and Plant Health Inspection Service to resolve this problem.

A USDA phytosanitary certificate is also required.

Developing the market: One major West Coast grower cooperative is currently conducting market development activities in Korea. Promotion by other supplies could boost overall demand for lemons.

An advertising campaign could be developed to help generate consumer interest by targeting food editors, nutritionists, hosts of TV cooking shows, women's magazines and cooking demonstrations.

Grapefruit

Before liberalization on July 1, 1985, grapefruit was imported by air in small shipments for use almost exclusively by tourist hotels. Following liberalization, imports for general distribution have increased sharply with the advent of containerized shipments by sea.

The current retail price of about 1,000 won per piece (more than US$1.00), makes grapefruit relatively expensive for many middle-class Koreans.

Marketing structure: Only a few importers have brought in grapefruits, selling them to department stores, supermarkets and wholesalers.

Trade barriers: Recent shipments of grapefruit, as with lemons, have been detained and required to undergo cold treatment. This treatment could result in serious quality problems for the grapefruit.

A USDA phytosanitary certificate is required.

Developing the market: Consumer awareness will be the key to promoting grapefruit in Korea. Demonstrations, including passing out samples in grocery stores, are essential.

Good ways to help build product awareness include media advertising, talk shows and complimentary fruit baskets.

Almonds

Prior to liberalization on July 1, 1985, almond imports had been subject to the control of the Administrator of the Office of Forestry, which set up annual quotas linking almond imports with chestnut exports. Almonds were subject to a surcharge of 200 won (about 25 cents) per dollar plus a 50-percent tariff.

These charges made almonds uncompetitive relative to peanuts and locally produced walnuts for use by bakeries and confectionery manufacturers.

Since liberalization, the 200-won surcharge has been removed, but the 50-percent tariff remains in effect. Considerable stocks existed as of November 1985, and these have dampened import demand in the short term.

The price of almonds imported before liberalization exceeds that of almonds imported after July 1.

Marketing structure: One company still dominates the almond trade due to its well-established position in the market—it had an effective monopoly until July 1, 1985. That company has sold most of its imports to confectionery manufacturers, although some have been distributed to supermarkets and department stores.

Potential new entries into the almond import busines include larger confectionery firms, which have expressed an interest in importing for their own account, and other companies which are actively investigating the possibility of establishing their own roasting and packing operations in Korea.

Trade barriers: Other than the 50-percent tariff, there are no formalized trade barriers.

Developing the market: Almonds are fairly well established among Korea's manufacturers of candy, ice cream and baked goods. Promotional activities are required to break into other markets.

The snack food market would be a logical target, with special attention given to snacks served at drinking establishments. A well-coordinated advertisting campaign is recommended.

Cherries

Cherry imports have been liberalized since July 1, 1985. Previously, Korean plant protection law had effectively barred the entry of cherries into Korea except for a small shipment for hotel use in 1984.

Planning Ahead Helps Avoid Export Plight

Commodities like the horticultural and processed products discussed in this article are occasionally subject to negative publicity campaigns designed to reduce unnecessary imports of "luxury items"—a problem exporters encounter not only in Korea but in many other developing countries. A surge in imports, whether it poses a real or imagined threat to domestic products, may result in a tightening of import restrictions.

While reneging on negotiated trade agreements may be difficult, unpublished "administrative guidance" in the customs clearance or quarantine area can cause serious delays and even take a significant toll on product quality.

The U.S. Agricultural Affairs Office in Seoul monitors such procedures and works to expedite customs clearances through communication with customs and quarantine officials.

However, would-be traders in these products need to be aware that circumstances can arise under which it is impossible for either the importer or the U.S. Embassy to obtain changes in procedures rapidly enough to prevent losses to the firm which owns the goods in question.

Exporters need to arrange payment terms which protect them from risks associated with what happens to goods after arrival to the greatest extent possible.

Since liberalization, one container load of about 6 tons has been imported for local consumption. While popular in hotels, cherries did not sell well in fruit markets largely because Korean consumers were unfamiliar with the product and the price was high compared to locally grown fruits. Air shipment expenses and the 50-percent tariff rate contributed to a retail price of 100 won or about 12 cents per cherry.

The U.S. Agricultural Trade Office, in cooperation with the Northwest Cherry Growers, Inc., brought in about 200 kilograms of samples to distribute to potential consumers and traders.

Marketing structure: First-time cherry imports for local consumption were brought in by two private companies in 1985. These dealers sold the fruit to wholesalers and department stores.

As with prunes, marketing channels are not fully defined because only a small volume has been marketed to date.

Trade barriers: Korea's plant quarantine requirements for cherry imports call for fumigation treatments by one of several prescribed methods in addition to a phytosanitary certificate issued by the USDA.

Developing the market: A marketing campaign for cherries should take into account their seasonality by planning and undertaking promotional efforts before the cherries' brief shipping season.

While activities in the major tourist hotels should continue, promotional efforts should be broadened. General consumer awareness should be encouraged through media advertising. The cherries should be made available in local restaurants and fruit markets.

As price appears to have been a major constraint to 1985 marketing efforts, traders should seek ways to make cherries more affordable until the market becomes better established.

Processed Food Products

The July 1985 liberalization announcement also included a number of processed food products—ketchup, mayonnaise, margarine, shortenings and cottonseed oil. These products, however, still are subject to tariffs of 30 to 40 percent, making them uncompetitive with their locally manufactured counterparts.

Despite the fact that most demand is fulfilled by local manufacture, there is likely to be a small but permanent market for U.S. products, based largely on their prestige and reputation for high quality.

Developing the market: Processed food imports could be marketed by emphasizing their prestige and eliciting brand name loyalty among the expatriate community, Koreans who have spent time in the United States and consumers who may be attracted to "exotic" products from the West.

If the U.S. product has higher quality ingredients than its Korean counterpart, that should be touted. There is some limited opportunity in specialty markets for U.S. processed food imports with minimal additives or preservatives marketed as "health foods." Mayonnaise could be marketed on this basis. ■

Berry is U.S. agricultural attache and Ahn is an agricultural specialist in the Office of U.S. Agricultural Affairs in Seoul.

Malaysia Picks U.S. Fruit

By Frank Tarrant

The United States is the top supplier of imported fruit to Malaysia, thanks to a high-quality product that is much in demand by Malaysia's quality conscious buyers and an active market development program.

Malaysia imports a total of about $41 million of fresh fruits annually from all sources. The most popular imports are oranges, apples and grapes, the majority of which come from the United States. Pears, plums, peaches, melons, kiwifruits and grapefruits are also among the favorites.

Malaysia primarily imports fresh fruits from the United States, Australia, China, Taiwan, Thailand, New Zealand, France and, most recently, Chile.

For apple imports, the 1984 market shares in percent were roughly: United States 55, Australia 21, China 4, New Zealand 7, and France 7.

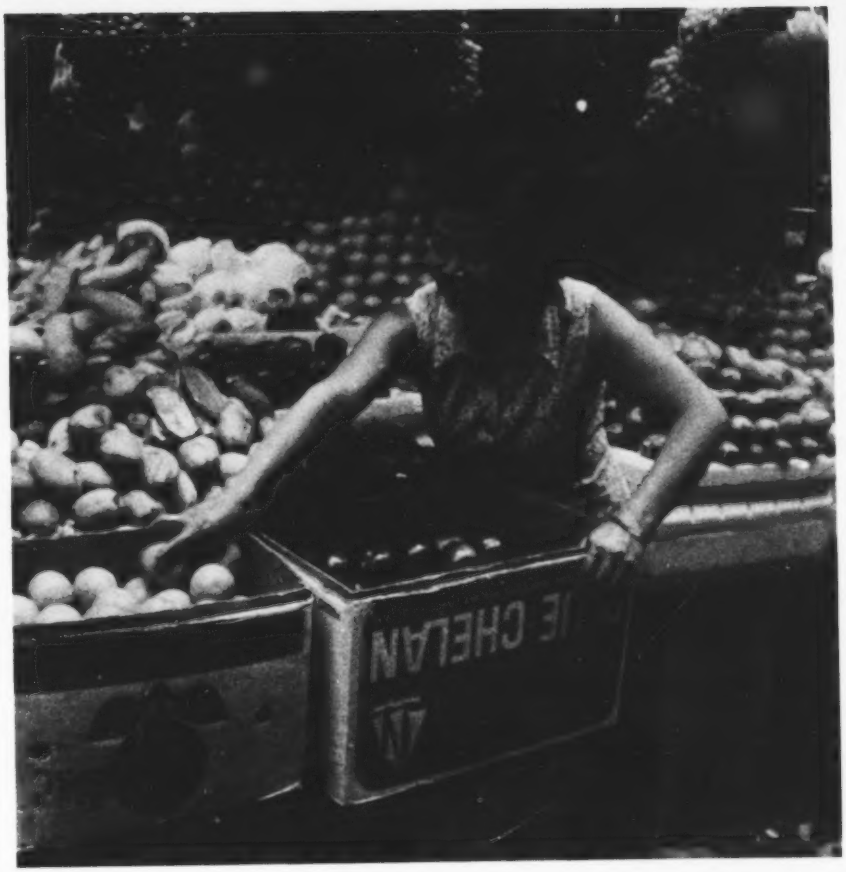
For orange imports the 1984 market shares in percent were: United States 59, Australia 32, Portugal 4, Thailand 1, and China less than 1.

For grapes, the United States shipped 84 percent of Malaysia's imports in 1984. Other suppliers in percent were: Australia 9, Chile 3, and Thailand and Portugal, 2 percent each.

Malaysia's imports of oranges, apples and grapes from the United States have increased sharply in recent years. This development is partly due to the active market promotion activities of Sunkist, the Washington State Apple Commission and the California Table Grape Commission.

U.S. Oranges Enjoy Top Sales

Most of the more than 17,000 tons of oranges Malaysia imported from the United States in 1984 were from Sunkist. Middle-income Malaysians are very brand conscious and buy Sunkist oranges, recognizing the name for its quality.



As for the competition, new brands of Australian oranges have been introduced in Malaysia recently and are priced slightly lower than Sunkist's. With aggressive market promotion efforts, these oranges could threaten Sunkist for the top position, a status it has enjoyed for the past few years.

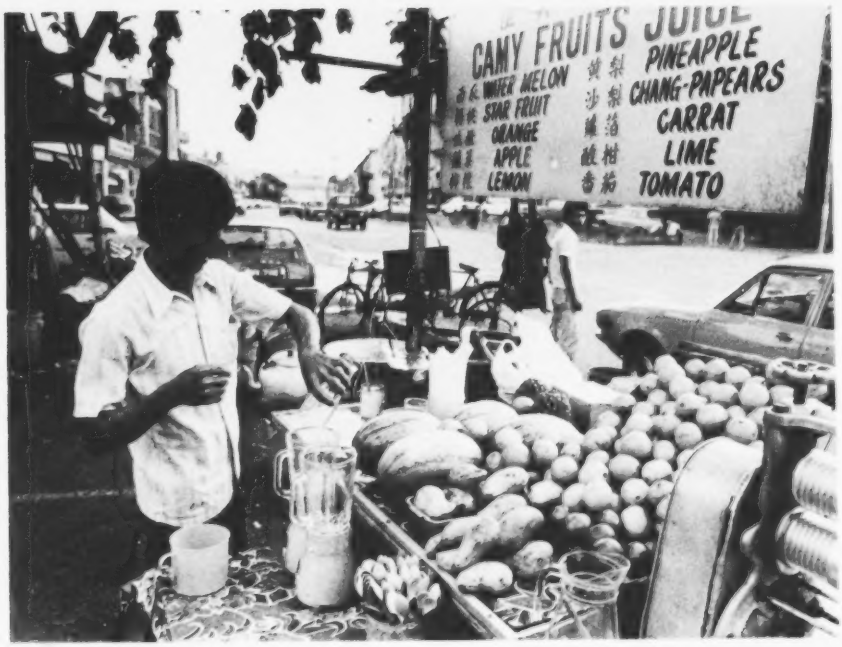
China's exports of oranges (mostly mandarins) to Malaysia fell sharply from 1,260 tons in 1980 to 174 tons in 1984. During this period, Australian oranges increased dramatically from 4,405 tons to 9,259 tons.

Big Market for Washington Apples

Malaysia is the fourth largest importer of Washington apples behind Taiwan, Saudi Arabia and Hong Kong. The Red Delicious variety is the top seller; however, attempts are being made to develop a market for Golden Delicious. In a recent U.S. in-store supermarket promotion, the Golden Delicious was introduced to the public and the response was promising.

Apples from Australia are also very popular. They are generally the Granny Smith variety. The Australian Apple and Pear Board is very active in this market, organizing trade shows and sampling sessions through the Australian Trade Commission annually in addition to holding representational functions with the importers.

New Zealand and France are also relatively important suppliers of apples to Malaysia, each supplying roughly 7 percent. French apples, in particular, have made spectacular inroads into the Malaysian market in recent years.



U.S. Grape Varieties Are Popular

California grapes are readily available in Malaysian supermarkets. Despite higher prices, consumers appear to prefer the more expensive seedless grapes over the other varieties. In the big cities of Kuala Lumpur, Penang, Johore Baru and Ipoh, every hawker's stall is well stocked with Thompson Seedless and Emperor varieties.

Thailand is becoming a competitive supplier of both grapes and oranges to Malaysia. Malaysia imported 1,254 tons of oranges during January-June 1985, compared to 107 tons in 1980. Grape imports totaled 610 tons during January-June 1985 compared to 73 tons in 1980.

Thai grapes and oranges are of lower quality than U.S. fruits, but they are very inexpensive, and the people who buy them are usually from the lower income group in the rural areas.

China is the major supplier of pears to Malaysia, although exports have declined in recent years. U.S. pears are not popular because Malaysians prefer the crunchy Asian varieties.

Fruit Imported Through Many Channels

There are about 25 importers of fresh fruit in Peninsular Malaysia. The majority of these are based in Kuala Lumpur, Penang and Johore Baru. Kuala Lumpur importers are also members of the Kuala Lumpur Fresh Fruit Wholesalers and Importers Association. They operate from the wholesale market located about seven miles from the city in Selayang.

About 80 percent of imported fruit is retailed by street hawkers who purchase the fruits from the wholesale market. Fresh fruit is also retailed at supermarket stores, which in recent years have captured a greater share of the fresh fruit retail market.

Import Licenses Not Required

Import permits or licenses are not required for fresh fruits except those coming from China, which require an approved permit from the Ministry of Trade and Industry.

In addition, all imports from China must be channeled through PERNAS, a semi-government agency which levies a 0.5-percent fee on the cost of the merchandise. A health certificate for all imported fruits, however, is required.

Because of the high import duty on imported fruits, retail prices of apples and oranges range from 15 to 20 cents each while grapes retail at $4.25 to $5.00 per kilogram. Pears sell for 35 to 40 cents apiece.

The import duty on these fruits is $273.30 plus a 5-percent surtax per metric ton. Importers get a rebate of 10 percent off the import duty when they import directly through Malaysian ports. In recent years, more fruit has been imported directly, bypassing Singapore.

The average shipping cost of apples from the United States is currently $5.50 per carton. Grapes are $5,300 per container and oranges are $4.90 per carton.

Most U.S. apples are shipped to Malaysia out of Seattle via Japan, Taiwan, Singapore, Port Kelang and Penang by American President Lines.

Grapes and oranges come usually from Long Beach, Calif., on the Maersk Lines. Shipping time between U.S. West Coast ports and Port Kelang is about 22-24 days. Most of Australia's highly perishable food items, including grapes, are shipped by air.

Potential exporters of fruit to Malaysia need to know that the country is one of the more wealthy in Southeast Asia. Per capita income in 1984 was $2,167 and is expected to grow at a healthy rate of 5-6 percent in the future.

The population is relatively young; 60 percent of the people are under the age of 30. The population is also diverse in culture.

Trade is relatively free, although high import duties are often used to protect emerging or sensitive domestic industries.

Malaysia Is Also a Fruit Exporter

In addition to sizable fruit imports from the United States and other sources, Malaysia also exports fruit, mostly of the tropical variety. In 1984, Malaysia exported about $13 million worth of fresh fruits.

Recently, officials from the Malaysian Agricultural Research and Development Institute identified bananas, papayas, mangoes, durians and pineapples as having the greatest potential for the export market. *Malaysia also produces* such fruit as mangosteens, rambutans, guavas and langsat.

U.S. Is Major Orange Supplier to Malaysia
(In metric tons)

	1980	1981	1982	1983	1984
United States	8,724	10,940	9,815	21,275	17,268
Australia	4,405	5,871	7,865	5,408	9,259
China	1,260	696	275	111	174
Portugal	1,352	1,865	982	1,581	1,081
Thailand	107	107	308	419	426
Others	1,607	742	1,085	823	925
Total	**17,455**	**20,221**	**20,330**	**29,617**	**29,133**

U.S. Maintains Strong Role in Malaysian Apple Imports
(In metric tons)

	1980	1981	1982	1983	1984
United States	6,211	7,200	6,833	11,177	13,460
Australia	6,825	7,713	6,298	8,937	5,131
China	7,259	6,680	4,501	2,634	1,004
New Zealand	1,481	919	975	821	1,860
France	265	103	1,087	1,057	1,764
Others	652	343	440	985	1,321
Total	**22,693**	**22,958**	**20,134**	**25,611**	**24,540**

Malaysian Consumers Prefer U.S. Grapes
(In metric tons)

	1980	1981	1982	1983	1984
United States	1,380	1,210	1,714	1,513	4,266[1]
Australia	246	125	335	567	445
Thailand	73	194	638	284	98
Chile	35	25	66	27	129
Portugal	86	11	51	94	84
Others	11	13	11	58	57
Total	**1,831**	**1,569**	**2,815**	**2,543**	**5,079**

[1]Malaysian import statistics. U.S. data indicate U.S. grape exports of 1,241 tons.

Pineapples and bananas—the only fruit currently produced on a commercial scale—occupy the largest proportion of acreage devoted to cultivation of fruit.

Government Supports Industry

Malaysia's government has emphasized the development of the fruit industry to ensure an adequate supply of quality local fruits for domestic consumption as well as for export.

Investors have not as yet ventured measurably into the fruit industry due to better margins and less risk in more established crops such as oil palm and cocoa. ■

The author is U.S. agricultural attache in Kuala Lumpur.

USSR Imports Record Levels Of U.S. Almonds

By Abbie Mobley

Captain Evgeny Nikolaev and his crew worked through the hot spell of late August, making sure their ship's cargo—11 million pounds of Blue Diamond almonds—was carefully loaded in the hold and ready for its voyage from the Port of Sacramento to Leningrad.

This was the first shipment of a total 20-million-pound purchase of almonds made by the Soviet Union, the single largest purchase of almonds to date.

Blue Diamond employees in the distribution center set records to get the shipments to the port on time. Two million pounds of almonds rolled out of the center three days in a row, according to Wayne Duty, director of distribution/strategy and logistics.

In 1968, the Exchange made its first sale of snack almonds to the Soviets. The sale was a result of a trade mission in 1967 made by Jack Axer, now the Exchange's director of reserve market development programs. He made the journey with nine other agricultural delegates from California. Axer was the only member of the delegation to make a sale. Shortly after the first sale, a small order for bulk almonds was placed by the Soviets.

U.S.-Soviet Trade Has Grown

The relationship between the Exchange and Soviet agricultural trade officials has grown since. Now, Blue Diamond marketers visit the Soviet Union annually to strengthen the partnership, show them what's being done with almonds in other parts of the world and, of course, sell almonds.

In the year ending June 1985, the industry shipped 45.2 million pounds of almonds to the Soviet Union. That's four times the amount the Soviets usually buy in a year. Since July 1, 1985, the Soviets purchased an additional 20 million pounds. From 1979 to 1981, the Soviet people purchased 11 million pounds annually.

Walt Payne, vice president of marketing and sales, explains the reason for the increase. "Almonds are being used in place of hazelnuts from Turkey because the price of hazelnuts is too high and the crop is small. Also cashews from India, which are mostly sold on barter arrangements, are going up in price. As a result, we might also see a switch from cashews to almonds."

High Priority on Soviet Sales

To increase good will and ensure that almond consumption in the Soviet Union continues to rise, the Exchange places the partnership with Soviet officials on the priority list. To pursue this goal, Exchange President Roger Baccigaluppi traveled to the Soviet Union in August 1985 as part of an agricultural delegation.

Baccigaluppi met with the Soviet Minister of Agriculture and Foreign Trade and political officials in Moscow, Kiev and Leningrad. The delegation also toured Soviet farms.

The itinerary later took them into Hungary, where Baccigaluppi met with Hungarian agricultural officials and discussed a Blue Diamond Almond purchase.

"Our visit helped develop a better agricultural understanding between the Soviet Union and the United States," says Baccigaluppi. "Agricultural relations have been strained between the two countries because we don't understand each other. More trips like this need to be made."

The goal of Blue Diamond is to continue to build a strong relationship with its trading partners so the Soviet Union will continue to buy almonds and break records. ■

The author is assistant editor of Almond Facts Magazine. Tel. (916) 446-8597. *This story is reprinted from Almond Facts magazine, California Almond Growers Exchange/Blue Diamond, copyright 1985. Photos by Abbie Mobley.*

Hong Kong/Singapore Trade Exhibits To Showcase U.S. Foods

By Jane Warren

Agricultural traders will have a double opportunity to display their wares in the growing Pacific Rim market during May 1986. The Foreign Agricultural Service will sponsor a U.S. Solo Food Exposition in Hong Kong on May 6-7, 1986, and a major U.S. pavilion at Food and Hotel Asia86, a biennial food and equipment trade show in Singapore on May 13-16.

The Furama Intercontinental Hotel in Hong Kong is the stage for 60 booths reserved by the U.S. agricultural officer. This trade-only solo show will coincide with the Singapore event.

Both events should prove to be premier marketing opportunities for U.S. food and agricultural exporters to enlarge their potential sales base. These exhibits provide U.S. firms with direct contact with buying powers in the Southeast Asian markets.

Pacific Rim Is Growth Market

Research continues to point out that the Pacific Rim is the growth market of the future. Participation in U.S. sponsored trade events is one of the most appropriate ways for a firm to expose its products in these dynamic markets.

Hong Kong has long been considered a major transshipment point for Pacific Rim countries, and it is a free port and open market. Hong Kong imported $3.3 billion worth of agricultural products from the world in 1983. Processed products comprise 61 percent of the total.

The United States is considered one of the leading suppliers of that market. High-value horticultural and tropical products lead U.S. agricultural exports to Hong Kong.

Sixty booths also are reserved in the U.S. pavilion in Food and Hotel Asia86, which will be held in Singapore's World Trade Center. It is considered the leading international event for the food, drink, hotel and catering industry in all of Southeast Asia.

This year will be the fifth such exposition. In 1984, over 22,000 trade and business participants visited with intense buying interests. Visitors came from 28 different countries, with the majority from Singapore, Malaysia, Indonesia, Australia, New Zealand, Hong Kong and Taiwan.

Fresh and frozen agricultural products proved to be in demand in the 1984 Singapore exposition. The U.S. agricultural trade officer in Singapore views Food and Hotel Asia86 as the prime marketing vehicle for fresh fruits and vegetables in the region.

As in Hong Kong, horticultural and tropical products make up the greatest percentage of U.S. agricultural exports to Singapore.

Processed products, such as cut-up chicken pieces, coffee extract, refined and crude corn oil accounted for 71 percent of U.S. exports to Singapore in 1984. Total processed U.S. agricultural exports to the Singapore market were valued at $144.5 million. ■

The author is with the Export Promotions Division, FAS. Tel (202) 475-3411.

Foreign Exchange: How It Affects U.S. Farm Exports

By O. Halbert Goolsby

The U.S. dollar hit a peak in foreign exchange markets in late February 1985. That marked the end of an upward spiral that many experts think cut deeply into the volume of U.S. agricultural exports.

The decline in the value of the dollar since that point should have a positive effect on U.S. farm sales abroad provided other factors, such as being competitive, are also taken into account.

The Dollar Vs. the Competition

U.S. competitiveness depends, in part, not on the value of the dollar against the currencies of foreign buyers, but on the value of the dollar vis-a-vis the currency of other suppliers.

The U.S. dollar has devalued by anywhere from nearly 6 percent to over 40 percent against four competitor currencies (Argentina, the United Kingdom, France and Thailand) in real terms. However, it has advanced slightly against the Australian and Canadian dollars, and advanced quite significantly against Brazil's and South Africa's currencies.

For several reasons, the effect that exchange rate movements have on exports differs from commodity to commodity.

Wheat and rice. Nearly every major food grain importer has a trade or foreign exchange policy or economic system that either significantly or totally offsets any effect an exchange rate change might have on wheat and rice imports.

The exchange rate between the currencies of centrally planned economies and the dollar play no role in determining imports.

In many other wheat or rice importing countries, food importing agencies determine either the quantity of food grains to be imported or the amount of foreign exchange that can be used for this purpose. In yet other countries, foreign exchange is extremely scarce and U.S. and other aid programs largely determine the level of imports.

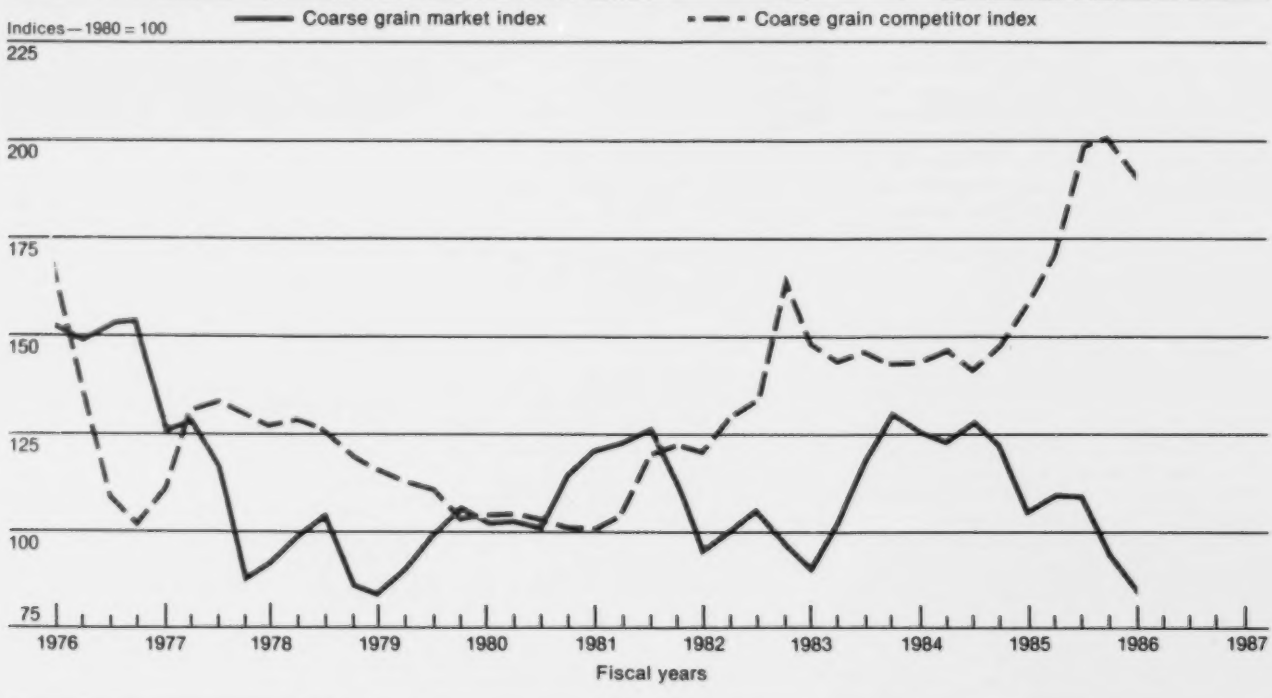
Therefore, from the demand viewpoint, food grain exports will not benefit much from the dollar's depreciation.

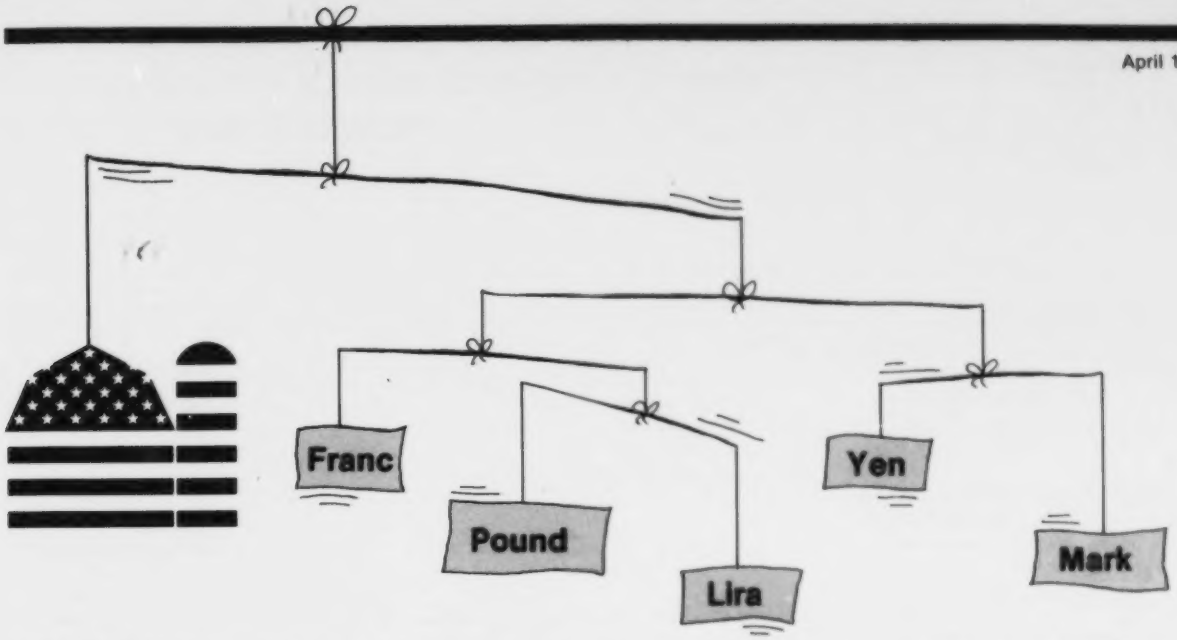
From the competitive viewpoint, however, U.S. exports could benefit—especially when U.S. agricultural programs also help bring domestic prices more in line with the world supply and demand situation.

Regarding wheat competitors, the U.S. dollar has declined significantly against the French franc and the Argentine australes since February 1985. However, France heavily subsidizes its wheat exports, which affects much of the exchange effect.

Since the U.S. dollar has not declined against the Canadian dollar and the Australian dollar since February 1985, no benefits are likely to accrue for U.S. exports against exports from these two countries, other factors aside.

The Dollar's Exchange Rate vis-a-vis Coarse Grain Competitors Is More Important Than vis-a-vis Customers





Feed grains. As with food grains, feed grain exports to centrally planned countries and to EC countries will not benefit from increased demand resulting from exchange rate changes. Thus, this essentially means that only exports to Japan may increase.

Regarding competitors, the United States should gain against four out of eight. As a result, the outlook for U.S. feed grain exports is somewhat better than for wheat shipments.

Soybeans. Few countries have barriers to soybeans and the decline in the value of the dollar should strengthen demand. And, from the competitive viewpoint, the U.S. dollar has declined in real terms against the currency of one of the chief U.S. competitors, Argentina. However, it has not declined in real terms against Brazil's currency.

Other commodities. During the period from fiscal 1981 to 1985, exports of other commodities dropped by more than 14 percent, or about $2.5 billion, to a level of about $15 billion. Since demand for these items is more sensitive to price changes than bulk commodities, a declining dollar should boost exports.

With regard to U.S. competitiveness for this group of commodities, it is difficult to make generalizations since the commodities in this group and the countries which produce them are so heterogeneous. ■

The author recently retired from the Trade and Economic Information Division, FAS.

An Added Push to the Dollar's Decline

The dollar's decline was given a further push by a joint policy announcement on Sept. 22, 1985, by leaders of the five largest industrial nations (the United States, France, Germany, Japan and the United Kingdom). This statement indicated that a better world economic balance would be obtained by a lower value of the dollar and by greater emphasis on economic growth by the four foreign nations.

As the dollar declined against these four currencies, it was almost certain to decline against some other major currencies. In the months after the announcement, the dollar dropped in real terms by anywhere from about 3 to 30 percent against the currencies of the 10 largest markets for U.S. products.[1]

(Centrally planned countries were excluded from the list since the foreign exchange value of their currencies against the dollar does not play a role in determining imports.)

Larger imports of U.S. farm products by foreign markets should follow, especially if faster growth occurs as a result of policy actions promised at the September 22 meeting.

[1]The United Kingdom, the Netherlands, Belgium, West Germany, Japan, Italy, Spain, Canada, Taiwan and Korea.

U.S. Dollar Declines Against 10 Major Currencies[1]
(In percent)

United Kingdom	-31.4
Netherlands	-30.1
Belgium	-29.5
Germany	-29.0
Japan	-27.3
Italy	-24.8
Spain	-23.9
Canada	- 7.0
Taiwan	- 6.8
Korea	- 3.4

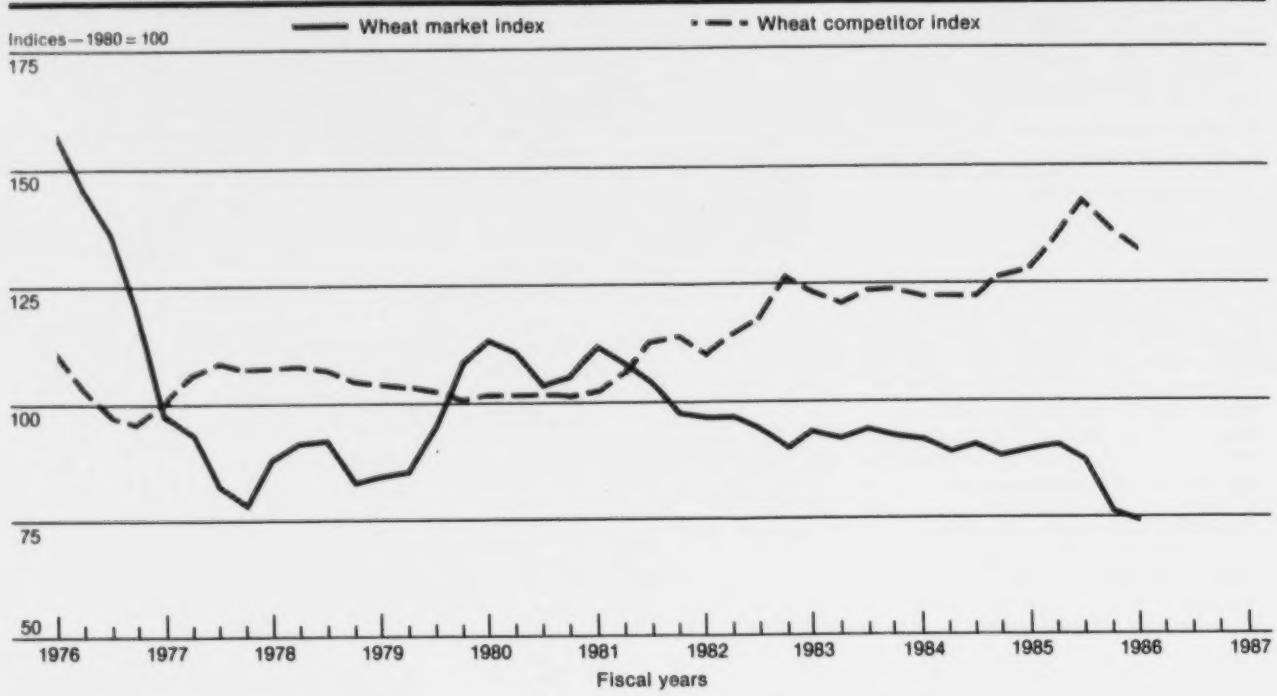
[1]Feb. 28-Dec. 4, 1985.

U.S. Dollar Has Dropped Against the Currencies Of Some Competitors and Appreciated Against Others[1]
(In percent)

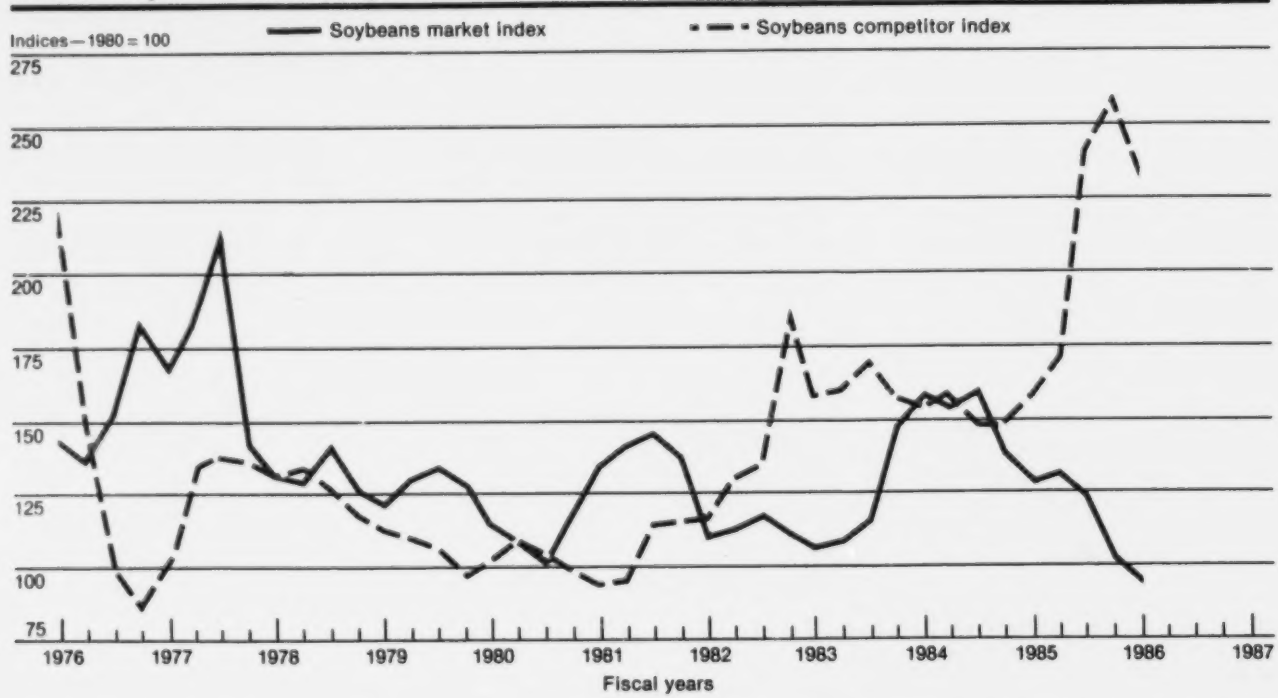
Argentina	-42.6
United Kingdom	-23.3
France	-20.6
Thailand	- 5.8
Australia	+ 2.9
Canada	+ 4.9
Brazil	+ 16.1
South Africa	+ 26.1

[1]Feb. 28-Dec. 4, 1985.

The U.S. Has Become Less Competitive for Wheat Exports



While U.S. Soybean Prices to Foreign Markets Have Declined, the U.S. Has Lost Competitiveness



Robust Market Exists for Health Foods In the United Kingdom

By Christine T. Chapman

Sales of health foods in the United Kingdom have more than doubled since the start of the decade, and by 1990 the market is expected to be roughly $1.3 billion, assuming $1.50 equals 1 pound sterling.

As one of the fastest growing sectors of the U.K. food trade, it's a market with some potential for U.S. exporters. However, exporters may have to make label or even product changes to be given a chance in the expanding U.K. market. And they can cost themselves out of the market if U.S. retailing and promotional expenses are loaded onto export prices.

Here are a few facts and figures for exporters who might want to break into the market.

Sales Grow in Non-Specialty Stores

As recently as five years ago, most health foods in the United Kingdom were sold through specialized health food outlets. Today, sales are split just about evenly between the specialty stores and non-specialty retailers such as supermarkets, grocery stores, mail-order stores and chemists (pharmacies).

At the end of 1983, there were 1,300 specialty health food shops in the United Kingdom. Predictions are that the number will increase to 2,000 by 1990. Even so, their share of total retail sales is projected to slip to only about two-fifths by the start of the next decade.

Approximately 88 percent of the health foods sold in specialty stores are produced domestically. Of the 12 percent which are imported, approximately 5 percent come from the United States.

Wide Variety of Products in Demand

Within the United Kingdom, the health food market encompasses a wide range of foods, beverages and cosmetics that are free from synthetic or animal-derived ingredients, natural remedies, food supplements and other products.

The market is broadly broken down into four major areas:

Dietary supplements, such as single vitamins and minerals, multivitamins, multiminerals, fiber supplements, evening primrose oil, ginseng, trace elements, royal jelly and other natural supplements. The U.K. market thus far has been almost totally uninterested in single amino-acids, organ extracts and mega-doses.

Herbal and homeopathic remedies, including a variety of natural and alternative medicines, biochemic tissue salts and anthroposophic remedies (medicines based on the philosophies of Dr. Rudolph Steiner, which are also prescribed by qualified doctors).

Natural cosmetics and toiletries, such as those made from jojoba and aloe vera. These products may not include animal products.

Natural foods, which include the following:

Dairy products: Soybean milk, goat's milk, natural yogurt and polyunsaturated natural ice cream.

Bakery products: Wholemeal bread biscuits and oatcakes. Biscuits (cookies) must be made from 100 percent wholemeal grains and from vegetable fats and oils. Only raw sugar, honey, fruit juice and other natural unrefined ingredients may be used as sweeteners.

Breakfast cereals: Cereals, muesli, wheat germ and bran products. Cereals must be separated by physical rather than chemical processes, and 100 percent of the cereal must be used, except when a specific part is offered, e.g., wheat germ, bran, etc.

Flour and flour products: Dry yeast, mixes and flour. Ideally, flour should be 100 percent stoneground wholemeal, but 100 percent roller milled is sometimes sold. The flour content of pasta must be 100 percent wholemeal.

Vegetable margarines: Must be unhydrogenated and free from dairy, animal or any artificial additives. There are legal requirements to fortify with specific amounts of vitamins A and D.

Confectionery: Granola bars, fruit bars, carob products and boiled sweets. All items must be made only from raw sugar or honey, and include only natural flavors and colors. When sugar, even raw, is added to fruit bars, products are classed as confectionery and must bear a 15-percent sales tax (VAT). They may contain not more than one-third of the legally permitted preservative, sulphur dioxide.

Honey and preserves: Honey, jam, preserves and peanut butter. Honey must not be subjected to excessive heat treatment. Jam must be made without refined sugar, and even raw sugar is frequently replaced with fruit juice concentrates.

Miscellaneous condiments: Vegetable cooking oils, sea salt, low sodium salt, vinegar and dressings. Vegetable oils preferably should be made from cold pressed oils with a low polyunsaturated fatty acid content.

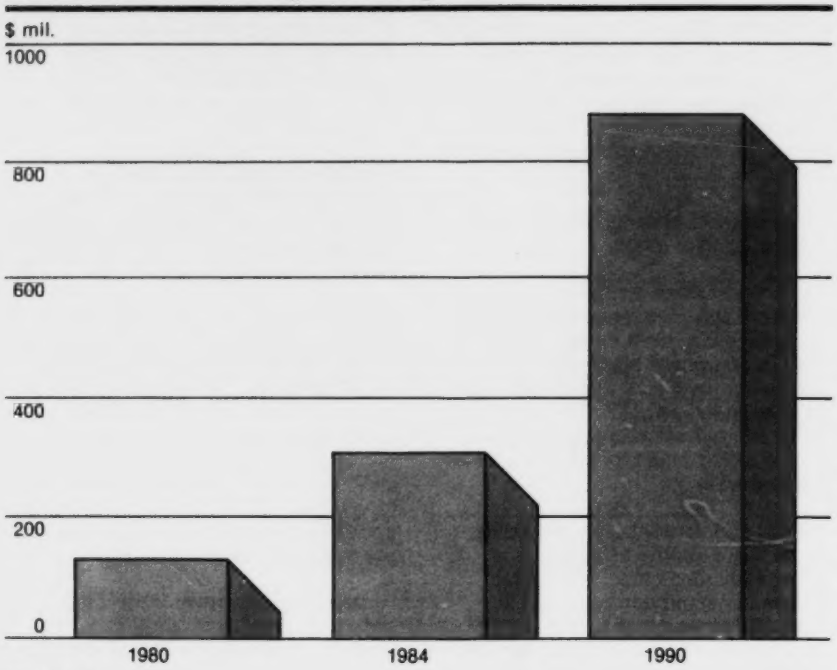
Pulses: Peas, beans and lentils.

Popcorn: Popcorn's appeal to the health food market is still largely dormant. In-store popping has never, so far, happened.

Fruits and nuts: Dry fruit and unprocessed nuts. Dried fruit may be dressed with vegetable oils only and should contain no added preservatives.

Vegetable savories: Textured vegetable proteins, vegetable pate, yeast extracts, soups, pasta, canned vegetable foods and soybean products.

U.K. Health Food Market Registers Strong Growth



*Projected.

Beverages: Decaffeinated coffee, health drinks, herbal teas, natural fruit juices, vegetable juices, mineral waters and carob drinks.

Organically grown foods.

U.K. importers are actively seeking innovative or original products, but have a record of closing ranks to exclude "me-too" manufacturers who are not likely to help the market growth.

Regulations Are Strict

Guidelines as to the quality of health foods and their ingredients continue to be developed in the United Kingdom. A guideline favored by the British industry is the idea of a "Healthmark" — a quality symbol for genuine health foods. Plans are to introduce the symbol this year.

Manufacturers and retailers of health foods are subject to strict regulations concerning claims about health foods and natural remedies.

Any product making a claim to prevent, treat or cure must be licensed under the British Medicines Act. Products making no claims may be sold purely as foods.

To illustrate the difference, vitamins do not need to be licensed if they are sold as dietary supplements. However, if therapeutic effects are claimed in packaging or advertising, they will require a product license.

Products making any kind of medical claim should be referred to:

Department of Health and Social Security
Medicine Division
Market Tower, No. 1
Nine Elms Lane
London SW8 5NQ
Tel: 01 720 2188 Ext: 3301
Attn: Mr. Parnwell

Once a product is licensed, it must be promoted solely for the use stated in the product license.

Be Careful About Labeling

Foods and food supplements must have all ingredients listed in descending order by weight. Many additives are classified by the European E number code, which means that there are two acceptable ways to list additives.

For example, the natural substance lecithin could be declared in two ways:

(i) emulsifier, lecithin, or;
(ii) emulsifier, E322.

No artificial colorings or flavorings may be used in specialist health foods. For example, if the synthetic color, tartrazine (E102), is added, the product would not qualify as a health food, even if the additive is legally permissible.

The Health Food Manufacturers Association (HFMA) has a full-time expert who gives advice on the complexities of both food and medicine law with particular reference to labeling, literature and advertising. Facilities are also available to help non-members of the HFMA through an offshoot called MAPPA.

The current upfront cost is $50.00 for each label, advertisement or page of a leaflet. This approval stamp is recognized by the Ministry of Health and leading publications. Contact:

Dr. Adrienne Mayes
Dapplestones
High Foleys
Claygate, Surrey KT10 OUA
Tel: 0372 65113

Distribution Concentrated

The most dominant factor in the U.K. health food market, at all levels of the trade (manufacturing, wholesaling and retailing), is Booker Health Foods, a subsidiary of Booker McConnell.

Key Contacts in the U.K. Health Food Market

British Health Food Manufacturers Association:

President: Maurice Hanssen
7a-9a Church Street
Esher, Surrey KT10 8QS
Tel: 0372 66468
Telex: 928489

British Health Trade Association
Secretary: Ken Rusby
The Old Coach House
Southborough Road
Surbiton, Surrey KT6 6JN
Tel: 01 399 6693

Importers/Wholesalers/Distributors of Health Foods

ASPIN & MAY
Unit 1, Coomber Way
Beddington Lane
Croydon, Surrey CR04TQ
Tel: 01 683 0333
Contact: Mr. Tony Aspin

BREWHURST HEALTH FOOD SUPPLIES
Abbott Close
Oyster Lane
Byfleet, Surrey KT14 7JN
Tel: 01 915 4211
Telex: 929839
Contact: Mr. Martin Last

GOODNESS FOODS
London Road
Daventry, Northamptonshire
Tel: 03272 76454
Contact: Mr. Ed Hunt

G. R. LANE HEALTH PRODUCTS LTD.
Sissons Road
Gloucester GL1 3QB
Tel: 0452 24012
Telex: 43255
Contact: Mr. H. Lenthall

HEALTH & DIET FOOD CO. LTD.
Seymour House, South Street
Godalming, Surrey GU7 1BZ
Tel: 04868 28021
Telex: 859511

HEALTH STORES (WHOLESALE) LTD.
Queens Road
Nottingham NG2 3AS
Tel: 0602 866615
Contact: Mr. H. Ian Martin

ILLINGWORTH HEALTH FOODS LTD.
Prospect Mills
Thornton Road
Thornton, Bradford
West Yorks BD13 3LN
Tel: 0274 833464
Contact: Mr. Les Illingworth

NATURE'S STORE
Unit E Motorway Distribution Centre
Avonmouth Way
Avonmouth, BS11 9YA
Tel: 0272 828211
Contact: Mr. Philip Croft

Booker Health Foods Ltd. is the umbrella company for Booker's health food business. The firm is engaged in the manufacture and import of health foods. The wholesale/distribution business operates under the name Brewhurst Health Food Supplies Ltd., and the retailing side under the name Holland and Barrett.

Of the 1,300 specialist health food shops in operation in 1983, approximately 150 were Holland and Barrett shops. Holland and Barrett shops have the greatest turnover per store of any of the retail chains.

The second largest retail group is Country Life Health Foods Ltd, a southern England-based chain, with 34 health food shops operating under the name Leaders.

A growing factor in the retail business is the Realfare voluntary symbol group of health food stores. Stores belonging to this group operate under their individual names and incorporate the "Realfare" symbol.

Many of the lines sold through these shops bear their own label name of Realfare. The number of stores belonging to this symbol group in 1983 was 660. It is organized by the Brewhurst division of Bookers and does not include Holland and Barrett.

Smaller retail chains operating in specific geographic locations with less than 20 outlets include:

—Southern Health Foods, South England;

—Happy Nut House, Liverpool and Northwest; and

—Nature's Way, South England.

Getting Your Foot in the Door

HELFEX, the largest health food exhibition in Europe and the most international health food show in the world, will be held in Brighton, England, on April 20-21, 1986. This show is held every two years and is one of the best ways to gain entry to the U.K. health food market.

While there will be no conferences or seminars, the show can generate many leads, contacts and business opportunities. The U.S. Agricultural Trade Office has booked space at the exhibit for a U.S. Pavilion at HELFEX '86. For additional information about HELFEX, contact:

HELFEX '86

Export Programs Division
Foreign Agricultural Service
U.S. Department of Agriculture
Room 4944 - South Building
Washington, D.C. 20250
Telephone: (202) 447-3031 ■

The author is the marketing specialist at the U.S. Agricultural Trade Office in London, 101 Wigmore Street, London W1H 9AB, United Kingdom. Tel. (011-44-1) 499-0024. Telex: 296009 USAGOF.

West Germany Develops Taste For Frozen Foods

By Dieter Ramm

Despite import barriers and heavy competition, U.S. frozen foods such as sweet corn, potato products, blueberries, cranberries and occasional smaller quantities of other fruits and vegetables are showing up in West German markets as more households develop a taste for convenience foods.

With innovative marketing and competitive pricing, a variety of new-to-market convenience items could catch the fancy of West German shoppers.

The West German market for frozen foods has shown continuing, substantial growth over the past 10 years, and further expansion is expected in the decade to come.

The wholesale value of frozen foods was roughly $1.4 billion in 1984[1], up 11 percent from 1983. About 51 percent of total sales volume was marketed in consumer size packages. The remainder was sold in larger packages used primarily by mass feeding operations.

Consumption Patterns Are Changing

Although per capita consumption of frozen foods lags behind most other European countries, nearly 80 percent of households in West Germany now use frozen foods. Three-fourths of that number are considered regular users.

Consumption is no longer limited to higher income households with children. Statistical data from test households indicate that a growing number of lower income households, including pensioners with only one or two people, buy frozen foods.

Today, nearly four-fifths of West German households have facilities to store frozen foods. In addition, about 5 percent of households now have microwave ovens, and that figure is increasing rapidly. This trend will strengthen future demand for a wide variety of frozen convenience foods.

[1]Assuming US$1 averaged 2.84 DM.

Processing in Hands of a Few

West Germany imports most frozen fruit and vegetables in bulk form. Further processing, packaging and marketing is handled by just a few firms, which include Langnese Iglo, Dr. Oetker Tiefkuehlkost, Hengstenberg, Frosta, Nordsee Deutsche Hochseefischerei, Schoeller and Raiffeisentiefkuehlkost from Germany, and Groko and Talpe, which are headquartered in the Netherlands. These firms sell under their own brands.

In addition, large retail organizations carry their own trade brands packed either by the big processing firms or by manufacturers outside of West Germany.

Involved to a much lesser extent are three larger specialized producers of frozen meals for large feeding kitchens, and one small firm marketing only in northern Germany.

Despite the relatively small number of suppliers, the West German frozen food market is extremely competitive at both the wholesale and the retail level. The retail margin on frozen foods generally averages just less than 22 percent.

Home Delivery Takes Hold

A new form of marketing—direct home sales service specializing in frozen foods—has been introduced in West Germany in recent years with considerable success.

The firm which started the service and reportedly holds an 80-percent marketing share of all home delivery sales of frozen foods is Fa. Eismann, headquartered in Mettmann in the Ruhr Valley. Most of the remaining share is held by Bofrost, headquartered in northwestern Germany.

This direct service regularly supplies an estimated 2 to 2.5 million households located primarily in suburban and rural areas. In 1984, the total value of frozen foods marketed by door-to-door service firms was estimated at almost 20 percent of all frozen food sales. This share is expected to continue expanding.

Frozen Vegetable Imports Expand

Imports of frozen vegetables have shown an almost continuous increase since 1980. The largest increase has been in potato products. Frozen corn, certain potato products and smaller amounts of other vegetable products currently are shipped by the United States.

The rapid growth of the convenience food industry is due in part to the availability of relatively low-priced products from East bloc countries and members of the European Community.

Unlike the United States, European Community suppliers are not subject to tariffs or other border charges. State trading countries, on the other hand, can calculate export prices independent of cost or other marketing conditions. Both factors are instrumental in providing U.S. competitors with a decisive price advantage.

Frozen Fruits Show Moderate Trend

Imports of frozen fruits show a more moderate upward trend. For 1986, a limited increase in import shipments of all frozen fruits is expected.

Much of the imported frozen fruit is used by jam processors as well as makers of fruit yogurts and similar products. A limited portion is used by the ice cream and chocolate industries.

As with frozen vegetables, East bloc countries are the largest suppliers of frozen fruits. At present, the United States supplies only frozen blueberries and cranberries and limited quantities of other non-identified fruit.

U.S. Marketing Opportunities

With the exception of frozen corn, there are only limited opportunities for the U.S. industry to sell frozen vegetables not further processed. This also applies to fruits, with the exception of blueberries, cranberries, melon and pineapple pieces.

Last year, however, a severe shortage of blackberries in Europe enhanced the opportunity for shipping U.S. frozen blackberries to West Germany.

Generally speaking, new-to-market convenience items stand the greatest chance of entering the German market. Market research and intensive follow-up promotional activities could brighten the prospects for U.S. sales of further processed foods such as frozen meatless meals and Mexican-style specialties, which are not common in West Germany.

Marketing of complete meals containing meat is hindered because the product must be supplied by U.S. meat processing plants specifically approved for shipping products to Germany. ■

The author is an agricultural specialist in the Office of the U.S. Agricultural Counselor in Bonn, West Germany.

U.S. Variety Meats—Tops on French Tables

By Leslie Ross

Look at a menu in almost any French restaurant and you can find such delicacies as ris de veau (veal sweetbreads), cervelles braisees (braised calf brains) and langue de veau ravigotte (hot veal tongue). But while the cuisine may be continental, the main ingredients may very likely be of U.S. origin.

France is one of the largest markets for U.S. variety meat exports, according to a recent study prepared for the U.S. Meat Export Federation.

In general, almost half of total French variety meat imports of approximately 75,000 tons come from the United States, according to the study. France is a big market for such U.S. variety meats as liver, brain, kidneys, tripe and tongue.

In 1985, 19 percent of all U.S. beef variety meat exports and 12 percent of pork variety meat exports were headed for French tables.

French Production Is Small

The French must rely on imports for over half of their variety meat consumption. Slaughter capacity in France is small, with the average abattoir (slaughterhouse) processing only 45,000 animals a year. This small volume provides no incentive for slaughterers to keep variety meats for sale to processors. Hence the need to import.

Variety meats are important items in the French diet, making up to 15 percent of the total volume of meat marketed annually.

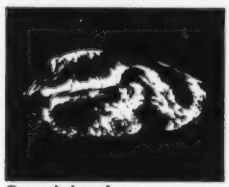
U.S. Variety Meats Have Good Image

U.S. variety meats currently enjoy a good reputation among French importers and wholesalers because of the volume that the United States is able to provide and the high quality and consistency of the product.

Abats en provenance des Etats-Unis

Pour des consommateurs exigeants:

Langue de boeuf



Coeur de boeuf

In France, the traditional retail outlet for variety meats has been the local butcher and tripe retailer. In 1983, these outlets sold 66,000 tons of variety meats. But these outlets are declining in number as more and more French consumers shop in supermarkets, hypermarkets and superettes.

These large outlets sold 108,000 tons of variety meats in 1983 and their percentage of the trade is increasing.

However, there is a paradox at the retail level because even though the French are traditional consumers of variety meats, they have a poor image of the raw product. Preparation of variety meats is viewed as difficult and cooking as complex.

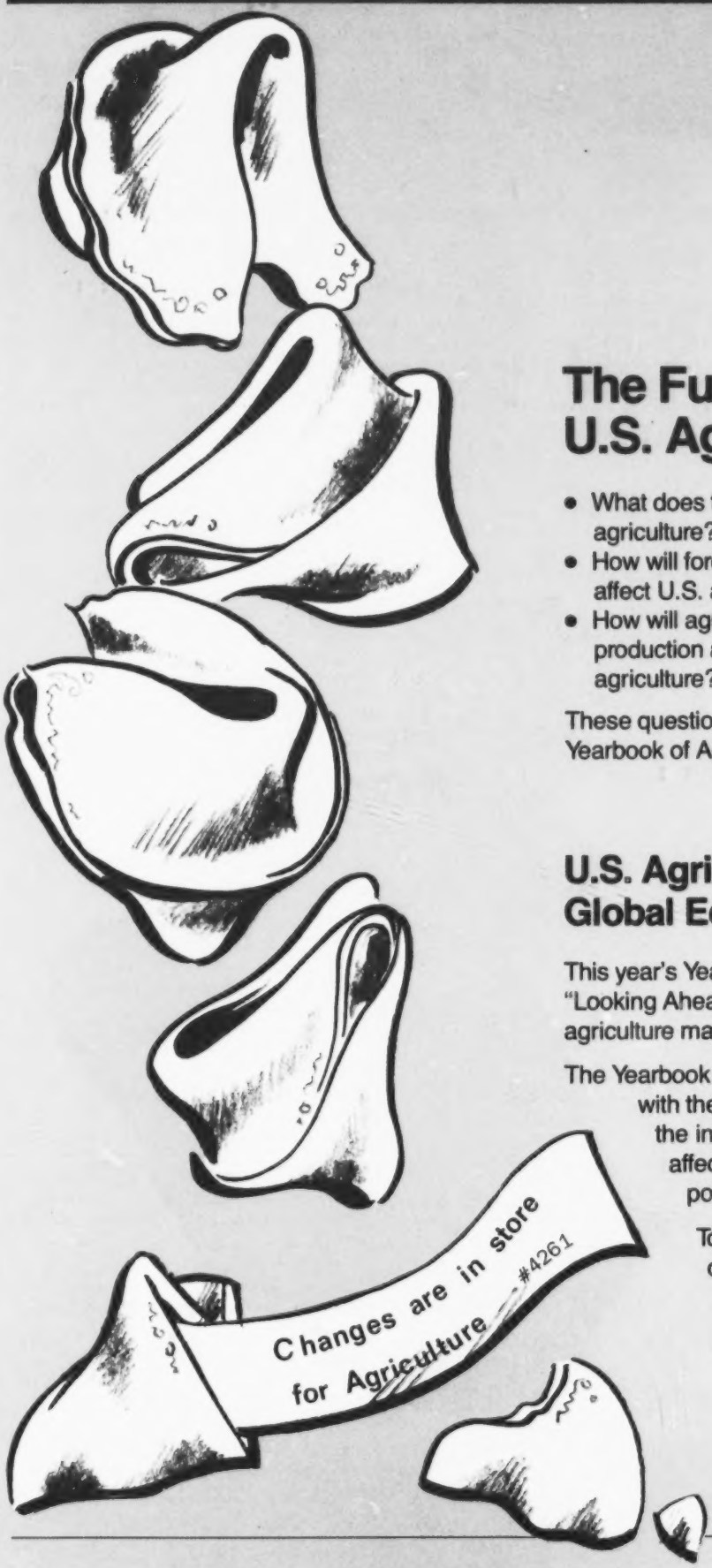
Most likely, variety meats are purchased in response to demands from family members and as a perceived health benefit for children. Variety meats are usually purchased one to four times a month, depending on the buyer's age and social level.

Some 40,000 tons of variety meats were marketed through hotels, restaurants and institutional channels in 1983. While variety meats are viewed as a delicacy by hotels and restaurants, they have a poor image in the institutional trade and are viewed as "cheap" food.

To increase the U.S. share of French variety meat imports, the U.S. Meat Export Federation report recommends concentrating marketing efforts in supermarkets and hypermarkets, which have been expanding tremendously in recent years.

These two markets are attracting increasing numbers of French shoppers with low prices and attractive packaging. A recent increase in consumer-ready products featuring variety meats may also give an added boost to variety meat consumption. ■

The author is director of market research, U.S. Meat Export Federation, Denver. Tel. (303) 399-7151.



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Marketing News

USDA To Sponsor Transportation Conference

The U.S. Department of Agriculture will hold an agricultural transportation conference in St. Louis, Mo., on May 13-15. The conference will focus on expanding world markets for U.S. agricultural products by promoting improvements in the domestic transportation system. Conference workshops will include updates on the effects of rail and truck deregulation, highway costs, U.S. waterway issues, options to deal with the growing crisis of America's rural roads and bridges and export perspectives for 1986 and beyond.

"Any successes achieved for the domestic side that help improve the efficiency of the U.S. transportation system can help us sell more products to world markets," said Martin F. Fitzpatrick, administrator of USDA's **Office of Transportation.**

For further information contact Ronald P. Vail, Office of Transportation, Room 1405, Auditor's Bldg., Washington, D.C. 20250. Tel. (202) 447-6793.

Holstein Association Redirects Its Export Efforts

Beginning this year, the **Holstein-Friesian Association of America** will redirect its traditional international commitment to marketing U.S. Holstein genetics by placing major emphasis on both the transfer of dairy management expertise and the expansion of consultant marketing services to foreign buyers. While the Holstein Association will continue to operate in a cooperative role with U.S exporters, its focus has shifted toward technical programs and marketing services.

Holstein-Friesian Services, Inc. (HFS), a commercial subsidiary of the Holstein Association, was formed nearly 20 years ago to pioneer the marketing of U.S. Holstein genetics to the world, at a time when such services were limited. But today, the market has evolved and many private companies are now capable of exporting dairy genetics. At the same time, there has been a growing demand for the technical support services of the Association to assist buyers with their purchases. HFS technical programs and marketing services will now be administered by the Holstein Association.

Trade Policy Council Unites Meat Industry Association

Five major agricultural trade associations—**the U.S. Meat Export Federation, the American Meat Institute, the American Farm Bureau Federation, the National Cattlemen's Association and the National Pork Producers Council**—have joined forces to establish the Meat Industry Trade Policy Council. This Council will establish future U.S. trade policy priorities and develop strategies for removing tariff and non-tariff barriers to U.S. red meat exports.

The Council's objective is to develop an industry consensus on trade issues, as well as an action plan for achieving its goals. At the first meeting, the Council discussed U.S. meat trade with the European Community, including recent moves to ban the use of synthetic hormones, the U.S.-Japanese beef trade agreement, trade with South Korea and the U.S. Department of Agriculture's Export Enhancement Program.

FAS Establishes Agreement With Jersey Cattle Club

The **Foreign Agricultural Service** recently signed a cooperative agreement with the **American Jersey Cattle Club** to work together in the development and expansion of overseas markets for Jersey cattle over the next five years. Under the cooperator agreement, the Club will focus on foreign importers and registers of Jersey cattle. Market expansion will be particularly targeted toward Latin America and the Pacific Rim.

The Jersey Cattle Club—currently the second largest U.S. dairy cattle breed registry association —was established in 1868 as a non-profit organization. It has expanded to a membership of 2,600, registering over 60,000 Jersey cattle annually. The Club, which was a cooperator with FAS over 30 years ago, has again expanded its marketing role due to an increase in the number of Jersey cattle in the United States.

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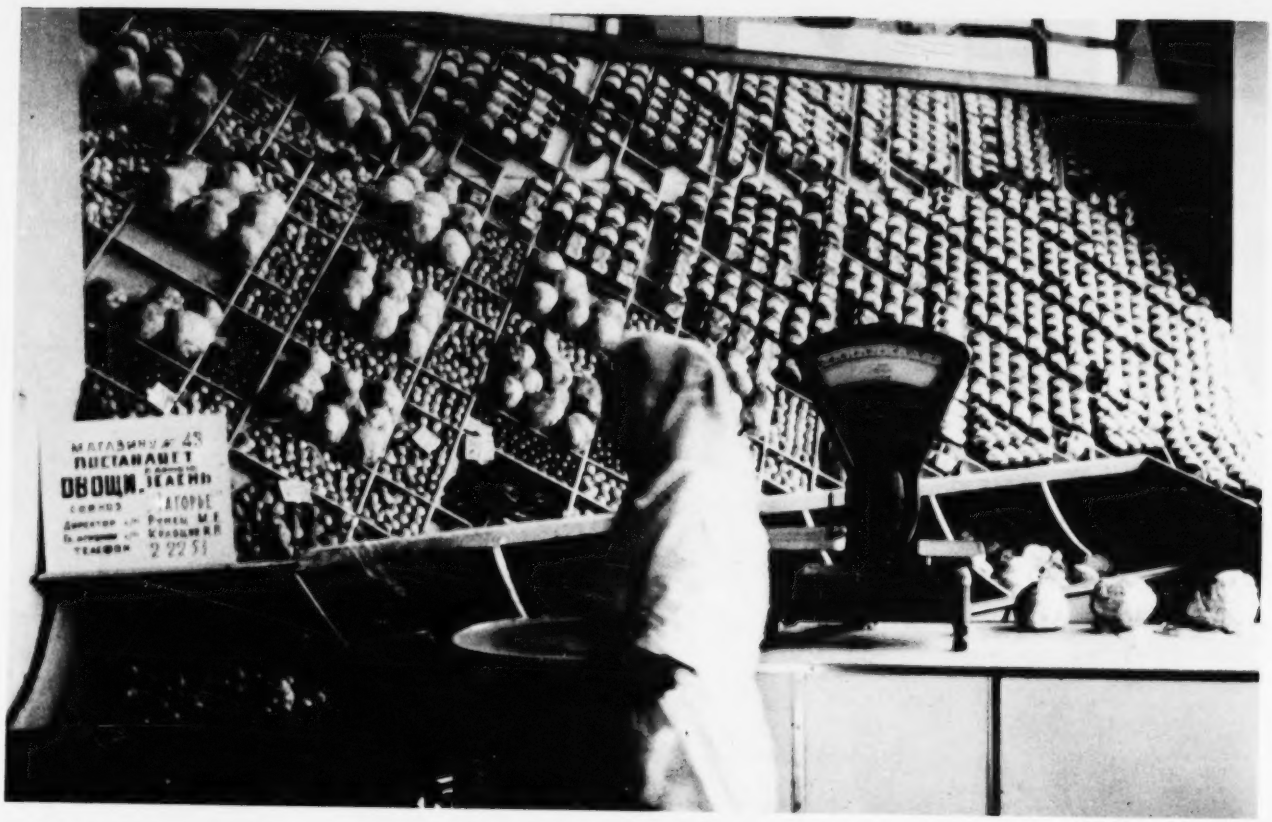
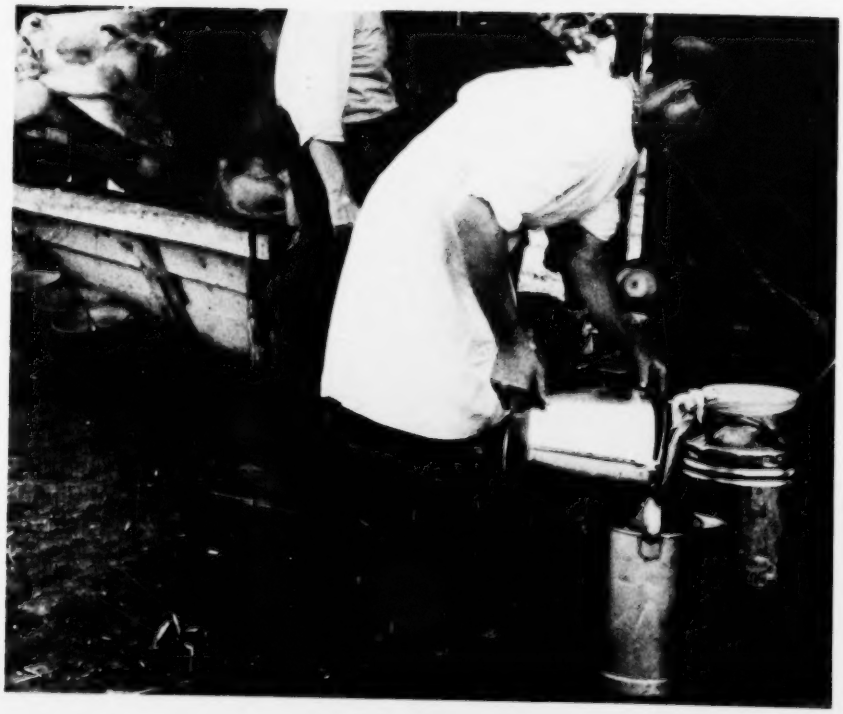
New Soviet Agricultural Management Targets Efficiency, Planning



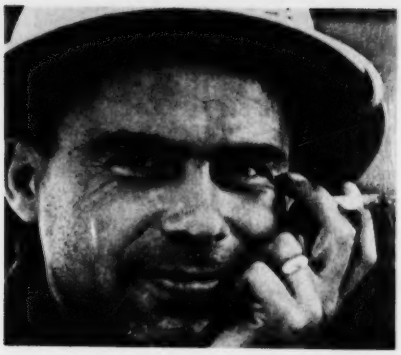


By Keith Severin

Although the Soviet Union is a complicated, restricted market, it is the second largest one for U.S. agricultural products, taking $2.5 billion worth last year. Any change in Soviet agricultural policy is big news for U.S. exporters.

In recent months, Soviet agriculture and the agencies that support it have undergone major modifications. This month, FOREIGN AGRICULTURE looks at these changes and what they could mean for Soviet production as well as import needs.

Down through the years, Soviet leaders from Josef Stalin to Leonid Brezhnev have devised various programs and organizations to solve the problems of the USSR's huge agricultural sector. Mikhail Gorbachev is no exception. In November 1985, he announced plans for the reorganization of Soviet agriculture.



The new organization responsible for the entire Soviet food chain is the State Agro-Industrial Committee, commonly known as GOSAGROPROM.

New System Has Roots in Brezhnev's Food Program

GOSAGROPROM has its roots in Leonid Brezhnev's 1982 Food Program, developed to improve the supply of food to Soviet consumers. The Food Program was formulated primarily by Gorbachev—Brezhnev's chief agricultural policymaker from 1978 to November 1982, when Brezhnev died.

Now that he has assumed leadership of the country, Gorbachev has begun to restructure and streamline agriculture on a broader scale.

Briefly, GOSAGROPROM encompasses functions previously held by the recently abolished ministries of agriculture, fruit and vegetable production, rural construction, meat and dairy industry, and food industry, as well as the State Committee for the Technological Servicing of Agriculture.

Under Brezhnev's Food Program, these agencies were separate, autonomous entities. Their functions contributed to the work of the Commission of the Agro-Industrial Complex, formed by the USSR Council of Ministers to improve the management of agriculture and other sectors in the agro-industrial complex.

Under Gorbachev, these agencies have been brought together into a single organization that accounts for over 30 percent of the "gross social product" of the country.

GOSAGROPROM Includes Other Agencies

In addition to these six agencies, GOSAGROPROM also includes Tractor and Agriculture Machine Building, Machine Building for Animal Husbandry and Fodder Production, Machine Building for Light and Food Industry and Household Appliances, Chemical Fertilizer Production, and Medical and Microbiological Industry.

For planning and finance, GOSAGROPROM incorporated some functions of the Ministry of Grain Products (formerly the Ministry of Procurement), the Ministry of Land Reclamation and Water Resources, the Ministry of Fish Industry, the State Committee for Forestry and the Central Union of Consumer Cooperatives.

By combining these functions into one organization, the Soviets hope to reduce duplication of responsibilities and to eliminate the bureaucratic impediments resulting from the greatly splintered agricultural sector.

GOSAGROPROM[1]

Encompasses all the functions of the former:

- ★ Ministry of Agriculture
- ★ Ministry of Fruit and Vegetable Production
- ★ Ministry of Rural Construction
- ★ Ministry of Meat and Dairy Industry
- ★ Ministry of the Food Industry
- ★ State Committee for Production and Technical Servicing of Agriculture

Plus parts of:

- ★ Ministry of Light Industry
- ★ Ministry of Land Reclamation and Water Resources
- ★ Ministry of Procurement

[1]*State Agro-Industrial Committee*

Gorbachev Sets Tone for Agriculture

In his five-hour address to the 27th Party Congress in Moscow on February 25, Mikhail Gorbachev said that the twelfth five-year plan, which is now beginning, is a turning point for the Soviet agro-industrial sector.

"Scientific-technological progress" and "improved productivity" were key phrases he used, saying that by the year 2000, the shortages of agricultural produce and consumer goods will be eliminated.

Referring to 1985, he said the 17 million hectares of grain grown under intensive technology produced an additional 16 million tons of grain. (The 1986 plan calls for 31 million hectares of intensively grown grain.) As for the preceding four years, no information on the size of the grain crop was given.

Referring back to the days of Lenin's New Economic Policy in 1921, and reinforcing decisions made in 1982, Gorbachev said farms, after meeting sales obligations to the state, could market excess production to collective farm markets or cooperatives. These outlets deal directly with the consumer. Market forces in these outlets are more nearly like those in the West.

Goal Is To Streamline Management

According to GOSAGROPROM's chairman Vsevolod Murakhovsky, the restructuring is designed to:

—replace outdated and cumbersome economic management;
—increase production; and
—bring the administration and operation of agriculture and its related industries into "a single whole."

Progress already has been made in meeting these goals. An example of administrative streamlining can be found in the largest republic in the Soviet Union, the Russian Socialist Federated Soviet Republic.

Previously, there were 258 subdivisions of seven ministries and committees in this republic. Under GOSAGROPROM, there are only 25 subdivisions. The staff has been slashed by 35 percent and the wage fund was cut by 20 percent.

Administrative streamlining will give farm managers more independence and opportunity for taking initiatives. This should improve labor productivity and save on other inputs.

Agricultural specialists in the Soviet Union calculate that with the recombination of resources alone—without additional expenditures—the new agro-industrial complex can increase production by 20 to 30 percent.

Restructuring Was Overdue

Soviet officials and agricultural specialists agree that restructuring of the agricultural sector was long overdue. Farm output falls far short of the investment made in agriculture.

Agricultural production contributes 14-15 percent to the gross national product but accounts for about 25 percent of total investment.

The value of agricultural output did not increase at all in 1985, according to the plan fulfillment report released in late January. According to TASS, the official Soviet news agency, implementation of Brezhnev's Food Program has been unsatisfactory in terms of meeting its major goals, particularly those for grain and meat.

During 1981-85, milk products, refined sugar and several less important items surpassed production targets, according to TASS. The output of meat, milk, eggs, fruit and vegetables increased but, in general, production targets were not met.

Production To Increase

For the new five-year plan period (1986-90), gross agricultural output is targeted to increase by 14-16 percent over that of the last five-year plan. The 1986 plan calls for a 4.4-percent increase over 1985.

However, there is some doubt whether that goal will be achieved because of problems in supplying farms with needed seed, fertilizer and other inputs. Farmers have been told they should be prepared to rely mainly on existing resources. (GOSAGROPROM is the sole holder of stocks of materials for the entire agro-industrial complex.)

Increased Emphasis on Science

GOSAGROPROM is putting considerable emphasis on science and technology to achieve its goals, especially those relating to intensive production techniques.

Agricultural losses are a significant drain on the agro-industrial sector. Roughly 20-25 percent of farm output is lost between the point of production and the consumer. Inadequate transportation, processing and storage facilities are largely to blame.

A History of Soviet Agricultural Plans

GOSAGROPROM is the latest agricultural effort by the Soviet General Secretary. Earlier efforts have included:

—Josef Stalin's collectivization of the countryside and the formation of machine tractor stations. Stalin used agriculture to underwrite the industrialization of the country.

—Nikita Khrushchev's Virgin Lands Program in the mid-1950s, which was designed to expand grain output and livestock production to the extent that the United States would "be buried in milk, meat and butter."

—Leonid Brezhnev's Food Program, announced in May 1982, which attempted to improve Soviet food supplies by increasing farm output and reducing losses through the construction of badly needed infrastructure.

Reducing losses of produce between the farm gate and the consumer, as well as improving product quality, are the main goals of GOSAGROPROM during 1986-90 and to the year 2000.

Under the new plan, food availability to consumers could be increased because improved transportation, storage and processing could cut losses by at least 50 percent.

A Possible Change in Import Needs

Improved output of livestock products continues as one of the major goals of the new plan. To raise meat production to 21 million tons (slaughter weight) by 1990 (up from 17.1 million in 1985), more protein will be needed in feed rations.

The recent resumption of purchases of U.S. soybeans could be a sign of how GOSAGROPROM plans to fulfill this livestock target.

Grains and oilseeds likely will need to be imported because the probability of producing 250-255 million tons of grain by 1990 and 7.4-7.5 million tons of sunflowerseed by then appears small when compared with recent output levels.

USDA estimates that Soviet grain production averaged 180 million tons during 1981-85. Output of sunflowerseed, the primary source of edible oil in the USSR, averaged 5.0 million tons during that same period.

Effectiveness Remains To Be Proven

While General Secretary Gorbachev, by virtue of his training and background, is better equipped than his predecessors to deal with the food and agricultural problem of the USSR, time will tell how durable the problem is and where possible solutions lie.

According to one Soviet official commenting on GOSAGROPROM, "The centerplace of the agro-industrial complex should be the shelves of food stores." ■

The author is with the Foreign Production Estimates Division, FAS. Tel. (202) 382-9880.

India's Farm Trade Reflects Government's Guidance

By W. Garth Thorburn

During the past five years, India has been moving in the direction of import liberalization but, so far, imports of technology have benefited the most. Although current policies have curbed imports of products such as fresh and processed fruits and vegetables, tobacco, wines, beer and other alcoholic beverages, export opportunities still exist for certain other U.S. agricultural products.

Here is a brief look at the market potential for selected U.S. commodities.

Large Market Opens for Dry Peas

Pulses are a major source of protein in the Indian diet. Pulse production in India, however, has remained stagnant during the past several years, and with continuing growth in population, the gap between supply and demand has widened significantly.

Most major agricultural imports are handled by the government or by institutions set up by the government. However, to supplement domestic supplies of pulses, India now permits imports by private traders under open general licensing. This has opened up a large market for U.S. pulses. Last year India became the largest buyer of U.S. dry peas, importing more than 30,000 tons.

Lack of product awareness and competition with alternate suppliers such as Turkey, Thailand, Burma, Canada and New Zealand are the major constraints in increasing exports of U.S. dry peas. For lentils, higher U.S. prices are a limiting factor.

In order to expand the market for U.S. pulses in India, the USA Dry Pea and Lentil Council has initiated a number of projects. Activities include sponsorship of Indian trade team visits to the United States, cooking demonstrations and participation in food shows.

Soybean Oil Faces Competition

India is the largest world market for soybean oil, accounting for an average 15 percent of total world imports between 1981 and 1985. It also is one of the largest importers of rapeseed oil and palm oil and products.

Since domestic oilseed production is unlikely to match growing demand, India will remain a large importer of vegetable oils. However, India tries to buy the cheapest oils available on the world market in order to get the most volume for its money.

As a result, cheaper soybean oil from Brazil and lower priced palm oil and products from Malaysia are cutting into the Indian market for U.S. soybean oil.

If the United States is to return to its former position as the prime supplier of soybean oil to India, its products must be competitively priced. Continued emphasis on market research and follow-up promotional activities also could improve U.S. sales prospects.

Marketing Programs Underway

Soybean oil has not received consumer acceptance as easily as other oils because of taste preferences and problems in refining crude soybean oil.

To increase demand for soybean products, both for human consumption and as animal feed, the American Soybean Association is working closely with soybean oil refineries in India to improve technology.

Several programs are underway to develop other uses for soybeans such as tofu, soymilk and baby foods. Researchers also are trying to come up with a way of substituting soybeans for pulses in the popular Indian dish dal.

The Indian government is allowing some blending of soybean oil with peanut oil, which should generate higher demand for soybean oil.

Push Needed To Popularize Wheat

Indians living in south and eastern India generally prefer rice as a diet staple. In order to increase wheat consumption, U.S. Wheat Associates is introducing marketing programs to popularize wheat in the traditional rice consuming states. Because of the high cost of rice and its lower protein content compared to wheat, the Indian government is supporting these efforts.

Activities focus on improving the quality of wheat products by providing training and technical support to milling and baking technicians.

U.S. Wheat Associates recently sponsored a group of Indian millers at a special class in flour mill management and quality control at Kansas State University.

Indian millers have acquired authority to purchase wheat directly from the open market. Reacting to the possibility of increased profit margins, millers are seeking higher quality wheat, which could stimulate demand for U.S. wheat.

Livestock and Poultry Germplasm Outlook Improves

Although India has the largest livestock population in the world, its production of milk, meat and wool is relatively small because of the lack of sufficient feed and fodder.

In the past few years, feed and fodder management programs, as well as efforts to improve animal breeding and health care, have boosted production. This emphasis has expanded the market potential for high-quality U.S. sheep and poultry breeding stock, and frozen cattle semen and embryos.

Poultry and egg production is expanding rapidly in India, and poultry profits are healthy due to shifts to less costly feed ingredients, more feed-efficient birds and higher egg production from new strains of hybrid layers.

Approved hatcheries are permitted to import pureline stock, which is boosting the market potential for U.S. poultry breeding stock. Favorable terms similar to those offered by European suppliers can help expand U.S. exports of poultry germplasm.

Breeding Farms Rely on U.S. Technology

Lamb, sheep and goats are the major meat sources in India. Goats alone account for over half of India's total meat production. Although few Indians eat beef because of religious beliefs, dairy herds are maintained to supply fresh milk and other dairy products.

Now that the government has set up breeding farms for well-known breeds such as Holstein and Jersey, imports of livestock are limited. India, however, remains a good potential market for cattle semen in order to produce crossbreeds to improve productivity.

The Indian government also continues to import Rambouillet sheep for crossbreeding.

Demand for Milk Products Could Climb

India does not permit the import of milk on a commercial basis since the country is almost self-sufficient in milk production. Commercial imports of milk powder, butter and butter oil were stopped in the mid-1970s. Since then, most imports have been donations from the World Food Program, the European Community and the United States under the P.L. 480 Food for Peace Program.

Even though India produces most of the milk it needs, improvements in the standard of living will stimulate higher demand for milk and milk products in the future. Therefore, India may resume importing milk powder on a commercial basis.

At present, manufacturers and exporters of biscuits, cakes and other confectionery items are permitted to import milk powder on a limited basis at 9-10 percent of the overall value of exported Indian sweets.

If confectionery manufacturers and exporters are able to increase exports, the demand for high-quality milk powder used in these items could strengthen.

Almond Export Prospects Mixed

Since almond production in India is negligible and demand is high, U.S. almond growers view India as an important market. Almonds are particularly in demand during the festive season when tradition calls for exchanges of sweets and dried fruits.

U.S. almond exports to India rose to $7.5 million during 1982 but fell to $3.9 million in 1984 due to licensing and tariff restrictions. In 1984, India converted tariffs from an ad valorem basis to specific rates, which, although still high, are below the previous levels.

The duty on soft-shell almonds also was reduced, eliminating an unfair advantage for almonds imported from Afghanistan, the principal U.S. competitor in almond trade with India.

Although these actions will help restore trade, U.S. almond growers believe exports to India could double or triple if almonds were placed under a more liberal import policy.

Recent policies resulted in a 30-percent decrease in imports in the dry fruit category, seriously constraining almond imports. However, as a result of U.S. government actions, this category of imports could be liberalized somewhat in the near future. ■

The author is U.S. agricultural counselor in New Delhi, India.

Fact File

Agricultural Trade Offices: Overseas Bases for U.S. Exporters

To help U.S. agricultural exporters compete worldwide, the U.S. Department of Agricultural's Foreign Agricultural Service (FAS) operates a network of agricultural trade offices in the major markets of Europe, South America, Africa, Asia and the Middle East.

These offices supply U.S. exporters with up-to-the-minute information on potential customers and promotional opportunities. Many house overseas representatives of some of the nonprofit U.S. market development cooperators that work with FAS to develop new foreign markets.

A Home Base Abroad

U.S. exporters or representatives of trade associations, export cooperatives or state departments of agriculture can use the agricultural trade offices as a home base while overseas. Desks, telephones and secretarial support are available to U.S. exporters servicing an established market or attempting to enter a new one.

Space for small product displays can be scheduled in advance. The trade officer can also arrange product demonstrations for potential foreign buyers.

Promoting U.S. Products

Each agricultural trade office regularly hosts or participates in exhibitions promoting the sale of U.S. food and agricultural products abroad. Sometimes the shows display only U.S. products. At other times, U.S. exporters can participate in large, multinational exhibitions which draw tens of thousands of buyers.

On a somewhat smaller scale, the agricultural trade offices sponsor hotel and restaurant menu promotions and in-store promotions of retail products. They also organize seminars on U.S. commodities for foreign buyers.

Trade officers host visiting U.S. corporate sales teams and state and federal government trade missions to the countries within their marketing regions. In these activities the trade offices give special attention to high-value products such as fresh fruits and vegetables and to consumer-ready items such as breakfast cereals and other canned, packaged and frozen foods.

The agricultural trade offices also provide one-stop service to potential foreign customers. Each office displays buying guides, exhibit kits and other information useful to foreign buyers. Buyers receive *Contacts for U.S. Farm Products*, a monthly listing of U.S. exporters and their products. Many trade offices also publish a multicountry newsletter that features U.S. products, local sales success stories and trade news.

Market Reporting

Agricultural trade officers report regularly on the market situation of key commodities of interest to U.S. exporters. This includes current price levels, sources of imports, competitors' marketing strategies, packaging and labeling requirements and types and grades of items on a country's import list. New or developing market opportunities are flagged for special attention.

U.S. Agricultural Trade Offices Span the Globe

Agricultural Information and Marketing Services

Minutes after foreign buyers notify one of the agricultural trade offices of their product needs, exporters in the United States can receive that information via computer. This sophisticated communications system is part of FAS' Agricultural Information and Marketing Services (AIMS) export promotion program.

AIMS services to assist U.S. companies introduce their products to foreign markets and expand present overseas markets include:

Buyer Alert Service: FAS uses high-speed telecommunications links to forward sales announcements of U.S. products to interested overseas buyers.

Foreign Contacts: Computer-based files can match U.S. companies producing particular products with foreign firms that have identified themselves as prospective buyers of those products. U.S. businesses interested in exporting to specific countries or regions of the world can be put in touch with buyers in those areas.

Product Publicity: The monthly newsletter, *Contacts for U.S. Agricultural Products,* introduces U.S. food and agricultural products to foreign buyers.

International Marketing Profiles: Commonly known as IMPs, these profiles include detailed international trade statistics and foreign importer mailing lists. Reports are available for selected countries and commodity groups.

Trade Leads: The agricultural trade offices can communicate the specific import needs of a foreign trader to U.S. exporters of food and agricultural products. U.S. companies can receive those trade leads in three ways: daily commercial electronic dissemination, daily computerized direct mail and the weekly *Export Briefs* bulletin.

The Washington Office

For more information on U.S. agricultural trade offices, contact: Trade Office Coordinator, Room 4944-S, Export Programs Division, Foreign Agricultural Service, United States Department of Agriculture, Washington, D.C., 20250. Telephone (202) 447-3031.

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Sign-Up Underway for NASDA's 1987 Exposition

The rush is on for the third biennial Food and Agriculture Exposition, according to Farrell Higbee, exposition director for the National Association of State Departments of Agriculture (NASDA).

"We're just getting cranked up," Higbee said. "Quite a number of companies representing an agricultural cross section of the country have already signed up and we're expecting a great many more over the next two months."

NASDA and the Foreign Agricultural Service (FAS) co-sponsor the show which is set for Seattle, Wash., April 29-May 1, 1987. The first exposition was held in Atlanta in 1983 and the last one in Kansas City in 1985.

Although the show is still more than a year away, preparations and interest have been running at a fast pace.

Full Slate of Exhibitors Seen

"I think we will sell it out, and wind up with 400-450 food companies exhibiting at the show," Higbee said. Up to now, he said, the emphasis had been on preparing materials for buyer recruitment through FAS' far-flung network of overseas attaches.

The spotlight is now turned on continued sign-up of U.S. exhibitors who will have the unique opportunity to attract an influx of sophisticated foreign buyers on the home turf.

"As with the first two expositions, we're expecting only high-quality buyers, so lots of sales should result," Higbee pointed out.

The idea behind the NASDA Exposition is to bring together the top-line food products in the United States and some of the leading food buyers from more than 80 countries. It's where the "Best in the U.S." meets the "Best of the Rest."

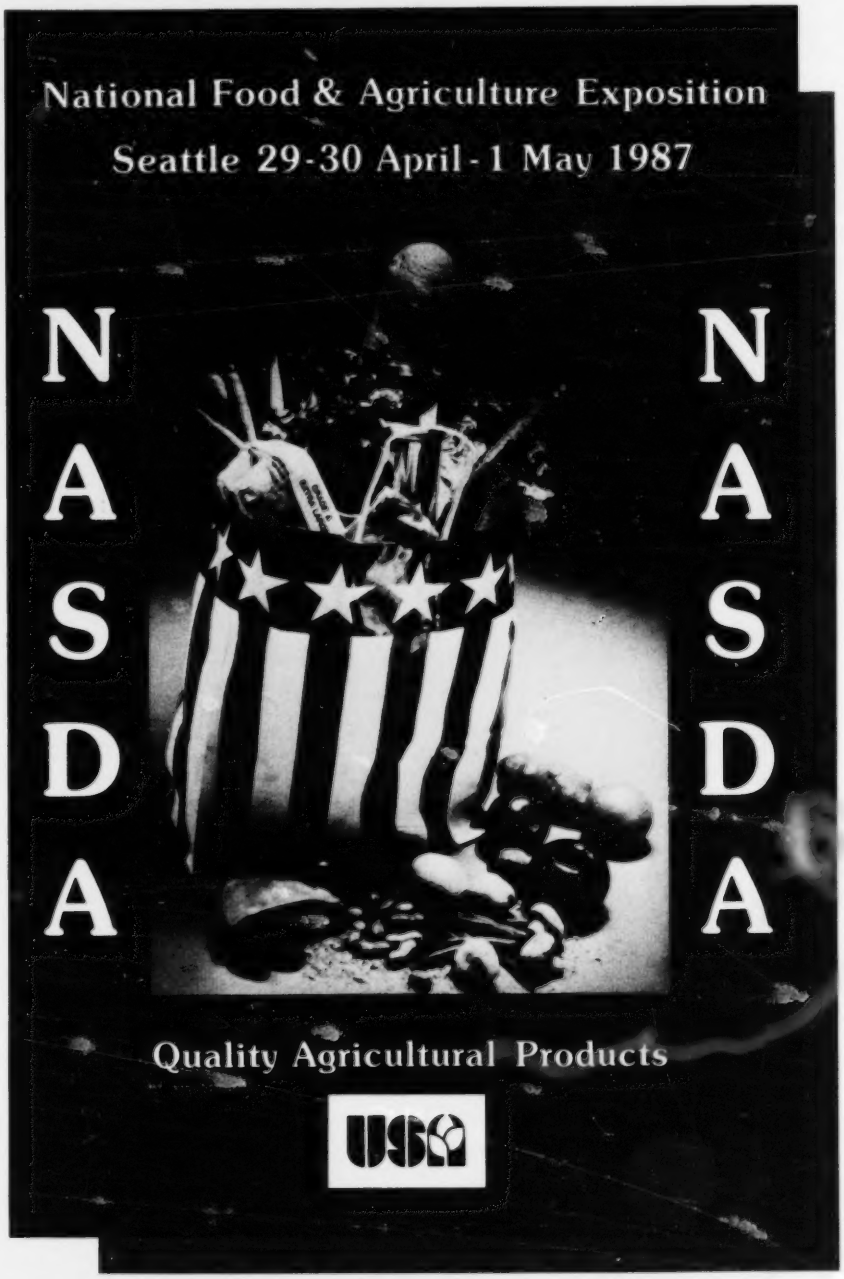
For the first time, domestic buyers will be invited to join the action on the show's final day.

Another new feature will be an education center where both sellers and buyers will be able to sharpen their tools of the trade.

"In addition to the commercial hall, we will have an education center where displays and booth space will be open to government and industry trade experts," Higbee said. "There will also be special food technology displays and an expanded seminar program for exporters and buyers," he added.

The commercial hall will open for business from 11 a.m. to 5 p.m. while the education center will be open earlier, 8:30-11:00, and later, 5:30-7:00.

For more information on the Seattle show, contact Farrell Higbee at (202) 628-8096, or write to NASDA, 1616 H Street, N.W., Washington, D.C. 20006. ■



U.S. Hides Strengthen Hold on Chinese Market

By Joel Haggard

U.S. leather sales to China totaled $63 million in 1985, making it the No. 1 market for leather exports. Less then 3 percent was finished leather. The balance, valued at over $61 million, was wet blues, just one stage above raw hides.

China also is becoming an increasingly large customer for U.S. hides. In 1985, the United States exported to China nearly 750,000 whole cattle hides valued at over $29 million, a considerable increase over the 1984 mark of 500,000 pieces valued at almost $21 million.

Citing favorable U.S. prices, Chinese officials report that U.S. hides could account for as much as 50 percent of the import market in 1986, a jump of 20 percent from last year.

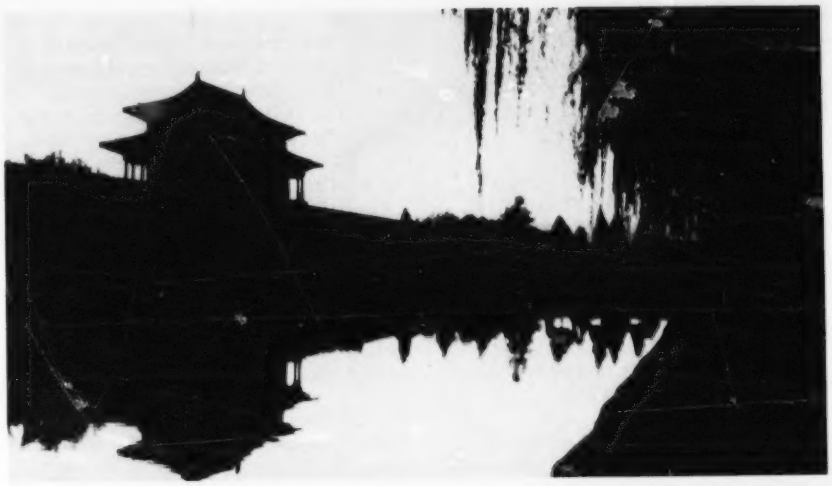
The China National Native Produce and Animal By-Products Import/Export Corporation—the business entity empowered to conduct China's leather trade—claims that leather imports have remained steady over the last 30 years. Chinese officials contend that dramatic shifts in buying patterns do not indicate increased demand or consumption but merely reflect changes in where the goods are bought.

A number of U.S. competitors do not agree, reporting surges in sales similar to those of the United States. The opinion in some circles is that economic growth in China has indeed increased the overall demand for leather and hides.

It is difficult to know just how big the Chinese leather market is because there are no import statistics published for cattle hides. Late in 1984, however, an official Chinese newspaper reported that China annually imports 2 million pieces.

Future Bodes Well for Cattle Hide Imports

Perhaps the most significant trend in China's hide and leather industries is the steady increase in use of cattle hides in shoe production.



Almost all imported leather and cattle hides are processed into men's shoes. Only a small amount of imported material is processed into sports equipment, handbags and leather apparel.

China produces over 1 billion pairs of shoes annually. Roughly 20 percent of this amount is classified as leather shoes—half of these are made from cattle hides and the other half from pig skins.

According to late November 1985 statistics published in China's *Economic Daily* newspaper, retail sales of leather shoes in 1984 reached 240 million pair.

Chinese economists report that demand for leather shoes (as reflected in the level of retail sales) is growing at 8 percent a year, or roughly 16 million pairs. Government officials see continued growth in leather shoe production with output expected to reach 300 million pairs by 1990.

In 1980, leather shoes made from cattle hide accounted for only 30 percent of total production. The share increased to 50 percent over the succeeding five years. If this pace continues in the future, demand for cowhide will grow by 500,000 pieces each year.

No doubt, China will attempt to satisfy the growing need with domestic supplies, but, as trade statistics hint, the country may have to rely increasingly on outside suppliers.

Scarcity May Spur Greater Imports

Although information on the domestic hide and leather industry is scarce, it is clear there is no integrated industry for cattle because specialized cattle raising for beef production is uneconomical.

Limited beef supplies—and presumably hides—come from slaughtered draft animals. Moreover, these animals work most of their lives before being slaughtered, a factor which adversely affects the quality of hides.

In July 1984, the procurement prices of sheep, goat and cattle skins were allowed to adjust to market conditions, a policy which saw increases in hide prices. At the same time, factories producing leather goods were told they would be responsible for securing their own raw materials.

In the past, the Ministry of Commerce took charge of allocating hides to shoe manufacturers and other leather goods producers. Suddenly, factories found themselves bidding against their neighbors for what had become a scarce commodity.

An article appearing in a 1985 yearend edition of *Economic Daily* said that Inner Mongolia's cattle hide supplies were able to satisfy only 70 percent of the province's needs.

Inner Mongolia's shortage almost certainly reflects an even greater shortfall nationwide, especially since that province is a major bovine animal producer.

Procurement statistics underscore the hide shortage. In 1984 (the latest year for which statistics are available), cattle hide procurement totaled 3.5 million pieces, down 20 percent from 1983. Moreover, procurement numbers pale in comparison to the cattle population, which stands at roughly 80 million head.

Trade figures suggest that supplies of other animal hides are not as tight. Sheep and goat skin markets are brisk, but supplies have kept up with both domestic and international demand. China's 300-million swine population translates into a very large pig leather industry, the largest in the world by far.

China does not publish pigskin procurement data; however, a 1980 yearbook pegged total output at roughly 80 million pieces. In the same year, China produced 157.5 million pairs of leather shoes, 70 percent of which were pigskin. Projecting from 1980 data, the 1985 pigskin harvest is estimated at roughly 90 million skins.

Leather Industry Needs Upgrading

Little is known about the Chinese leather industry, except that it seems to be geographically scattered.

Reportedly, there were 550 factories producing finished leather in 1984. The number of shoe factories is pegged at 1,500, but that figure probably does not include small rural factories which turn out mostly pig skin shoes for the local market.

Frequent Chinese editorials complain about the backwardness of China's domestic leather processing industry. And several agreements have been made with East and West European countries to help modify China's leather factories.

It appears as if China's Ministry of Light Industry targets several of the larger leather factories for technical upgrading during every five-year plan. ■

The author is U.S. agricultural trade officer in Beijing, China.

U.K. Is Good Market For U.S. Bean Sales

By W. Lynn Abbott

When most of us think of an English breakfast, we envision a plate of eggs, toast, kippers and a broiled tomato. But there's another item on the breakfast menu in Britain—baked beans on toast. And it is the United States that supplies the United Kingdom with a majority of those beans.

In 1985, the United Kingdom imported roughly 115,000 metric tons of dried beans. The U.S. share of this total is estimated at roughly 65 percent, with Canada the second largest supplier.

The United Kingdom is one of the few countries in the world where bean consumption is increasing. U.K. bean consumption per person is roughly 15 pounds per year, triple that of the United States.

The greatest single use of beans in the United Kingdom is for canned navy beans in tomato sauce, otherwise known as baked beans. U.K. consumption of beans has been given a boost in recent years with increased emphasis on fiber as a dietary supplement.

Here's a breakdown of the types of dry beans imported into the United Kingdom and the market for each.

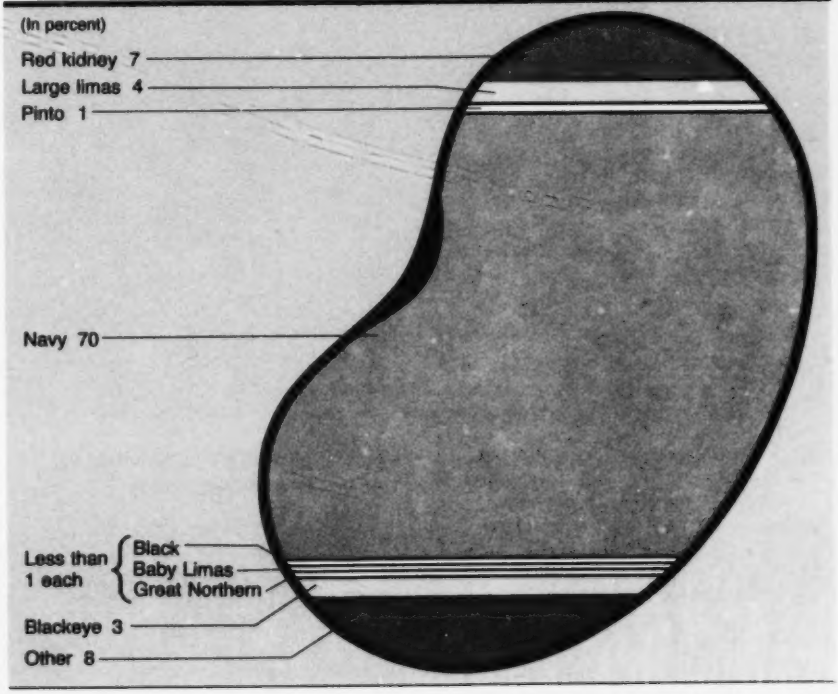
Navy beans are used almost entirely for canning (95 percent of the market). They are traded by specialized factors and are sold primarily to large canners. In the U.K. market, U.S. navy beans compete for the most part with Canadian beans.

Red kidney beans are used for both canning (two-thirds of the market) and for retail pack dried beans.

Lima beans are sold to the United Kingdom in substantial quantities primarily for canning. Baby lima beans are imported in much smaller amounts, also for canning. Madagascar also is a major supplier of lima beans to the United Kingdom.

Great Northern beans are sold almost entirely to the dry packaged trade. They often are labeled "haricot" at the retail level. Navy beans also may be sold under this same name.

Navy Beans Head U.S. Bean Exports to the U.K. in 1985



Competition for this sector of the bean market is expected to intensify now that Argentine "aluvia" beans are once again available. Shipments had been suspended after the Falklands crisis in 1982.

Cranberry beans are imported in small quantities for canning. U.K. canners prefer the bush-type cranberry bean over the vine-type, although both types are imported into Britain. The potential for this bean is considered to be quite good.

Small red beans are imported in very minor amounts for canning.

Pink beans are not imported into the United Kingdom.

U.K. Bean Production Is Limited

The United Kingdom produces a broad bean that is eaten as a kernel, but it is harvested green for freezing or the fresh trade. Minor amounts are dried for the health food sector. In 1984, U.K. bean production totaled approximately 23,000 tons, only 16 percent of total consumption.

How To Export Beans to the U.K.

Dry beans are shipped in 100-pound bags in 20-foot containers, usually in lots of 400 bags. The normal terms are cash against documents. Both the U.S. Department of Agriculture and the state of Michigan's grade standards are used in the trade.

The import duty for beans (tariff schedule item 0705.B1) is 3 percent (suspended for white dry beans). Dry beans are imported either directly by the major canners or by specialized bean traders for the major canneries or other primary users.

Beans imported for the retail dry goods trade usually are delivered to local repackers. They, in turn, package them in bags with their own label or that of their clients.

A list of U.K. importers of dried beans is available from the U.S. agricultural trade office in London. Contact: U.S. Agricultural Trade Office, Box 40, FPO New York 09510. Tel: 011-44-1-499-0024. Telex 296009 USAGOF.

Where To Find Help in the U.S.

Promotional work on behalf of U.S. dry edible beans is carried out by the following U.S. market development cooperator organizations.

Michigan Bean Industry
Box 6008
Saginaw, MI 48608
Tel. (517) 790-3010
Contact: John McGill

Northarvest Bean Growers Association
RR 3, Box 520
Frazee, MN 56544
Tel. (218) 334-6351
Contact: Tim Courneya

California Dry Bean Advisory Board
531-D North Alta Avenue
Dinuba, CA 93618
Tel. (209) 591-4866
Contact: Jim Melban ■

The author is U.S. agricultural trade officer in London.

Country Briefs

Australia

Few Suppliers Dominate Processed Food Market

In Australia, the market for many processed foods is often dominated by a small number of suppliers. Markets where half or more of the market is dominated by a single firm are listed below.—*Dale B. Douglas, Agricultural Counselor, Canberra.*

Product	Dominant Supplier	Market Share (Percent)
Baby Foods	Heinz	71
Baked beans	Heinz	58
Canned spaghetti	Heinz	55
Block chocolate	Cadbury's	73
Biscuits	Arnott's	76
Cake mixes	White Wings	66
Packet tea	Bushells	56
Instant coffee	Nestle	57
Evaporated milk	Nestle	100
Sweetened condensed milk	Nestle	100
Yeast spreads	Vegemite	93
Rice	Ricegrowers Co-op	73
Packet soups	Rosella	66
Energy drinks	Lucozade	51

France

Grain Exports Continue Upward Climb

Exports of grain by France in 1985 were expected to top the previous record level of 25.1 million tons set in 1984. Exports to other European Community (EC) member countries represented about 55 percent of the volume and 60 percent of the value of France's exports in 1984. The EC still absorbs all of France's exportable corn and much of the exportable barley. However, other countries in the Community have become more self-sufficient in wheat, and in some cases have even become net exporters. Thus, the only expanding wheat markets are in non-EC wheat, where subsidized French wheat increasingly is competing with that of other major exporting countries.

Non-EC customers are the fastest growing segment of the market for French wheat. In 1984, exports to third countries totaled 11.2 million tons, a fourfold increase since 1977, or an average increase of 22 percent a year. In the same period, the growth in exports to EC member countries averaged only 6.7 percent.

The Soviet Union has become the largest buyer of French grain, purchasing 4.5 million tons in 1984. About 94 percent was wheat. French grain sales to the USSR have benefited from a three-year French-Russian supply agreement which ended in 1985. The agreement provided for up to 1 million tons of French wheat to be considered annually for purchase by the Soviet government. Actual grain sales in 1984/85 totaled 6.8 million tons. Egypt, Poland, Morocco and more recently China and Algeria have been other large markets for French grain.

French grain sales to third countries are assisted by EC export refunds (subsidies) and French government export credit and other assistance. In 1984, EC export subsidies for French grains amounted to $306 million. While this was down significantly from the preceding few years, due in large part to the sharp appreciation of the U.S. dollar, it still represented an average $27 for each ton of French grain exported to non-EC countries, or 19 percent of the value of exports.—*James Lopes, Economic Research Service. Tel. (202) 786-1716.*

Japan

Cattle Imports Expected To Rebound

The recent recovery in Japan's Wagyu calf market and the stronger yen-weaker dollar exchange relationship are likely to encourage an increase in cattle imports after three years of stagnancy.

During 1983-85—when the domestic market price for beef-breed Wagyu calves was below Japan's price support—the government reportedly discouraged the duty-free quota allottees from using their allocations. However, under the new market circumstances, 1,050 head of feeder cattle weighing less than 300 kilograms already have been imported under duty-free quota from Australia.

Japan has a tariff quota on feeder cattle. The duty-free quota has been fixed at 10,000 head per year over the past 10 years. This quota is allocated to four producer cooperatives, and is restricted to purebred Angus and Hereford steers which are under 300 kilograms, landed weight. Any feeders imported outside of the quota are subject to a high tariff of 45,000 yen a head for landed weight of less than 300 kilograms, or 75,000 yen per head for landed weight of more than 300 kilograms.

In addition to feeder cattle, it is expected that the stronger yen may encourage the import of substantial quantities of fat cattle and horses for slaughter.*Bryant Wadsworth, Agricultural Counselor, Tokyo.*

Singapore

Hi-Tech Farming Envisioned for Future

By the 1990s, government plans call for grouping Singapore's farmers into high technology research and development parks, with the land leased to local farmers and investors and to multinational agro-based companies. The land would be used for horticulture, fish and aquarium farming and other non-pollutive farming such as poultry and bird breeding, crocodile breeding, dairy cattle farming and frog farming.

At present, Singapore's production of food varies from 16 percent of the vegetables consumed to 50 percent of the poultry.

These agro-technology farms will serve as production as well as demonstration centers. Thus, Singapore would be able to help other countries in the region to learn hi-tech farming methods.

The government is interested in acquiring foreign technology, but private individuals from Singapore also may be sent abroad to learn high technology farming.—*Peter O. Kurz, Agricultural Trade Officer, Singapore.*

United Kingdom

Farm Income Falls Dramatically

Net farm income in the United Kingdom during 1985 was down by 43 percent from 1984 in money terms. However, it should be kept in mind that net farm income in 1984 was up 35 percent from 1983. In real terms, the index of net farm income (1980 equals 100) was 78 compared with 146 in 1984 and 113 in 1983.

The main reason for last year's income slump was the cold wet weather which had adverse effects on almost all types of agriculture. Grain growers, even in the intensive arable area of eastern England, suffered from reduced yields and poor quality. In the upland areas of western and northern England, Wales, Scotland and Northern Ireland, livestock, haymaking and feed crops suffered from the bad weather.

Almost all sectors suffered substantial income declines. Lowland cattle and sheep fared particularly badly with the 1985/86 (1982/83 = 100) index down to only 25 compared with 58 the previous year. The figure for cattle and sheep in hill and other less favored areas was 50, compared with 96 in 1984/85. The results for dairying, while not good, showed a much more moderate fall with the 1985/86 figure at 50 compared with 59 in 1984/85. The index for cereals in 1985/86 was 45 compared with 118 the previous year.—*Turner L. Oyloe, Agricultural Counselor, London.*

U.S. Plays Major Role In Japanese Holstein Genetics

By James A. Dickrell

Japanese Holstein breeders have been using U.S. Holstein genetics for nearly 100 years. In fact, a leading Japanese livestock executive says, "American blood is always running in the history of our dairy farms."

Dairy farming in Hokkaido, the center of the Japanese dairy industry, has been greatly influenced by U.S. dairy farming, according Tamotsu Hirao, executive managing director of the Hokkaido Livestock Improvement Association, Inc. (HLIA), in Sapporo, Japan.

"It is not a coincidence that the friendship between the Holstein Association of America and our association is very close," Hirao says.

Long History of Dairy Improvement

Japan imported the first Holsteins in 1889. By 1910, Holsteins made up 70 percent of the Japanese dairy herd, outnumbering the native cattle breed, Wagyu, which had been the predominant one used for dairy since 600 or 700 A.D.

The first U.S. cattle semen—twelve units of fresh semen from Curtiss Candy Piece, a prize U.S. Holstein bull— was exported to Japan in 1950. That first shipment created a great deal of interest within the Japanese dairy industry, Hirao says.

HLIA Active in Holstein Breeding

The Hokkaido Livestock Improvement Association, Inc., established in 1972, currently has five main bull centers. The association markets about 1 million units of semen annually and employs 800 artificial insemination technicians at 200 substations.

One of the association's main goals is to procure outstanding sires. To do that, HLIA relies on bulls from the United States.

The association placed its first order with the assistance of Holstein-Friesian Services, Inc., a division of Holstein-Friesian Association of America, in 1979. U.S. bulls now account for 57.5 percent of the bull population.

Hirao says the Holstein-Friesian Services has played a significant role in the areas of computer research, bull purchases and planned matings for candidate bulls.

Breeding Success Breeds Motivation

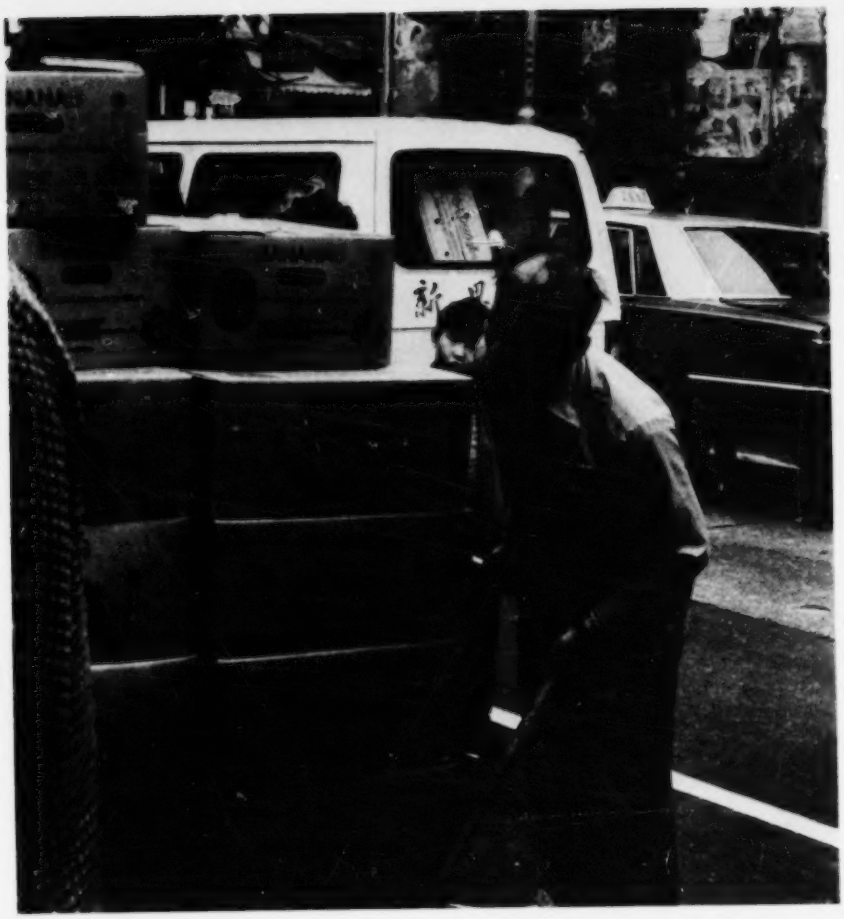
Even though HLIA has been successful thus far, it intends to continue aggressive pursuit of dairy cattle improvement through the use of artificial insemination, Hirao says. Since the association began its own progeny test program in 1975, milk production increased 2,200 pounds to 14,940 pounds per cow in 1983.

The use of electronics and biotechnology, the improvement of feed crops, and breeding and management by computer are areas where the Japanese are looking for increased efficiency.

"The tie between the Holstein Association of America and Hokkaido Livestock Improvement Association will become closer and stronger in the future," Hirao says. ■

The author is an associate editor of Holstein World. Tel. (612) 636-2117. This article is adapted from a story in the Aug. 10, 1985, issue.

Pacific Rim Is Prime Growth Area For Agricultural Imports



By Robert Tetro

The countries of the Pacific Rim[1] have emerged as one of the world's largest and fastest growing trade blocs in the past decade, according to a new study on the Pacific Rim issued by the Foreign Agricultural Service.

These countries import roughly $42-44 billion in agricultural commodities, almost one-fifth of world agricultural trade.

While the region is diverse in both culture and economic factors, the Pacific Rim as a whole has shown robust economic performance compared with other regions.

[1]Australia, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Taiwan and Thailand.

According to the report, *Emerging Agricultural Markets in the Pacific Rim,* these prospects are expected to contribute to a growing demand for agricultural imports in the region. This is in sharp contrast to policy and economic factors that currently limit the potential for U.S. farm exports to the European Community, which over the past decade has been replaced by the Pacific Rim as the single most important market for U.S. agricultural exports.

The high-value/value-added focus of the study reflects the following findings.

—Over the past 10-15 years, growth in the world's high-value/value-added agricultural trade has surpassed world trade in bulk agricultural products.

—Trade in high-value/value-added products is expected to continue to be the world's leading growth sector.

—On balance, trade in high-value/value-added products has held a stable market position in contrast to bulk commodity exports which have experienced sharp swings in both value and volume.

—More countries import and export high-value/value-added commodities than bulk products. The range of products traded in this sector also is greater.

The recently released study assesses agricultural trade opportunities for a wide variety of products and includes both narrative analysis as well as commodity trade statistics covering 126 agricultural products imported by the Pacific Rim group.

In addition, the study includes complete coverage of the many export services and contacts available from the Foreign Agricultural Service. It provides the types of information available from the agency's trade and production computer systems as well as those for supply and demand.

Targeted at the entire export trading community (buyers, sellers, brokers, shippers, trade organizations, consulting firms and international banks), the study is available as a complete package, including a full set of statistics available on micro-computer diskettes.

For more information on the Pacific Rim study, contact:

Agricultural Information and Marketing Services
Foreign Agricultural Service
Room 4649-S
U.S. Department of Agriculture
Washington, D.C. 20250
Tel. (202) 447-7103 ■

The author is with the Trade and Economic Information Division, FAS. Tel. (202) 382-1295.

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